



# 2024 ANNUAL REPORT



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## MESSAGE TO SHAREHOLDERS

Advantage Energy Ltd. (“Advantage” or the “Corporation”) is pleased to report 2024 year-end financial and operating results as well as reserves.

Advantage achieved exceptional results during 2024, with record production, significant liquids growth, strong reserves results, significantly improved per-share profitability, a highly accretive acquisition and successful integration of the new assets.

### 2024 Financial Highlights

- Cash provided by operating activities of \$217.5 million.
- Adjusted funds flow (“AFF”)<sup>(a)</sup> of \$250.0 million or \$1.52 per share for Advantage<sup>(b)</sup>.
- Recently acquired Charlie Lake assets increased corporate AFF<sup>(a)</sup> per share by 34% during the second half of 2024, compared to Advantage assets on a stand-alone basis.
- Cash used in investing activities of \$697.7 million, including acquisitions and dispositions.
- Net capital expenditures<sup>(a)</sup> were \$266.7 million for Advantage<sup>(b)</sup>, excluding acquisitions and dispositions.
- Reduced total 2024 development capital spending by \$75 million in response to lower gas prices and acquisition synergies.
- Net debt<sup>(a)</sup> of \$625.6 million for Advantage<sup>(b)</sup>, on track to achieve our net debt target in 2025.

### 2024 Operating Highlights

- Record annual average production of 70,918 boe/d (368.0 mmcf/d natural gas, 9,590 bbls/d liquids), an increase of 17% as a result of the asset acquisition and organic growth in 2023.
- Record liquids production of 9,590 bbls/d (5,347 bbls/d crude oil, 1,116 bbls/d condensate, and 3,127 bbls/d NGLs), an increase of 39% over 2023.
- In anticipation of low natural gas prices, Advantage cut development spending early in 2024 and kept dry gas production roughly flat through the year.
- Curtailed approximately 1,850 boe/d of dry gas (annualized) during times of very low natural gas prices. These curtailments reduced depletion without impacting AFF<sup>(a)</sup>.
- Delivered exceptional capital efficiencies with 7 of the top 10 Alberta Montney gas wells, based on IP90 rates.
- At Glacier, drilled 12 gross (11.8 net) wells. Average IP30 this year were exceptional at 14.1 mmcf/d.
- In the Charlie Lake, drilled 9 gross (5.9 net) wells. Four operated wells have now been producing beyond thirty days, with liquids rates that exceed historical type curves by over 65%. Average IP30 for these wells was 1,004 boe/d (1.4 mmcf/d natural gas, 737 bbls/d crude oil and 29 bbls/d NGLs).
- Operating costs in the fourth quarter dropped to \$5.19/boe<sup>(a)</sup>, resulting in a full-year average of \$4.75/boe<sup>(a)</sup>.
- In the first 6 months following the Charlie Lake acquisition, reduced operating costs for the assets by \$20 million annualized (approximately 25% reduction) by executing post-acquisition synergies.

### 2024 Reserves Highlights

- Proved Developed Producing (“PDP”) reserves increased 14%, with finding and development (“F&D”)<sup>(a)</sup> costs of \$8.48/boe.
- Net present value of PDP reserves of \$1.4 billion (before tax, 10% discount rate) or \$8.63/share.
- Total Proved (“1P”) reserves increased 10%, with F&D<sup>(a)</sup> costs of \$9.39/boe.
- Net present value of 1P reserves of \$3.0 billion (before tax, 10% discount rate) or \$17.98/share.
- Proved plus Probable (“2P”) reserves increased 13%, with F&D<sup>(a)</sup> costs of \$6.87/boe.
- Net present value of 2P reserves of \$4.4 billion (before tax, 10% discount rate) or \$26.49/share.
- PDP reserve additions replaced<sup>(a)</sup> 183% of production.
- Liquids reserves increased 55%, 64% and 61% for PDP, 1P and 2P, respectively.
- Recycle ratios<sup>(a)</sup> were 1.7x, 1.6x and 2.2x for PDP, 1P and 2P, respectively, based on fourth quarter 2024 operating netback<sup>(a)</sup> of \$14.80/boe.

## 2024 Corporate Development Highlights

- Closed the Charlie Lake/Montney asset acquisition for cash consideration of \$445.3 million on June 24, 2024.
- Disposed of two non-core assets for net proceeds of \$11.4 million. Subsequent to December 31, 2024, disposed of an additional non-core asset for net proceeds of \$4 million.
- Acquired a 100 mmcf/d sour gas plant nearby our Conroy Montney asset in Northeast British Columbia.
- Repurchased 2.5 million shares, returning \$21.7 million to shareholders. Subsequent to year-end, Advantage purchased an additional 0.3 million shares, returning an additional \$2.6 million to shareholders. Since initiating our buyback program in April 2022, Advantage has repurchased 38.1 million common shares for a total of \$382.6 million.

## Marketing Update

Advantage has hedged approximately 41% of its forecasted natural gas production in 2025, as well as 26% in 2026 and 7% in 2027. Advantage has also hedged approximately 44% of its forecasted crude oil and condensate production in 2025.

## Looking Forward

Advantage's corporate strategy continues to focus on maximizing AFF per share without compromising our balance sheet. Our updated three-year plan (announced December 10, 2024) emphasizes an extremely efficient capital program, fully funded at all phases of the commodity price cycle, and minimal investment required in infrastructure. At strip pricing, Advantage expects to generate in excess of \$500 million of free cash flow ("FCF")<sup>(a)</sup> during the coming three years. This would not be possible without exceptional assets and peer-leading execution.

Industry consolidation has significantly reshaped the Montney landscape, reducing the number of publicly traded producers. High-quality Montney assets have become increasingly scarce. Recognizing this trend, a special committee has been formed to monitor the markets and identify opportunities that are in the best interest of Advantage and our shareholders.

Having continued to grow our profitability and enhance the value of our asset base, we are strongly positioned to benefit from the widely-anticipated resurgence in gas markets and industry consolidation. Our strategy remains centered on disciplined capital allocation, high-return investments, and measured, sustainable AFF per share growth. This strategy presents shareholders with a rare and transformative opportunity for long-term value creation.

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

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

(b) "Advantage" refers to Advantage Energy Ltd. only and excludes its subsidiary Entropy Inc.

## RESERVES

Advantage engaged its independent qualified reserves evaluator McDaniel & Associates Consultants Ltd. ("McDaniel") to evaluate its year-end reserves as of December 31, 2024, in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

Reserves and production information included herein is stated on a gross working interest basis (before royalty burdens and excluding royalty interests) unless noted otherwise. Certain tables may not add due to rounding. In addition to the information disclosed in this annual report, more detailed information on Advantage's oil and gas reserves, including its reserves on a net interest basis (after royalty burdens and including royalty interests) is included in Advantage's Annual Information Form dated March 4, 2025 and is available at [www.advantageog.com](http://www.advantageog.com) and [www.sedarplus.ca](http://www.sedarplus.ca).

### Highlights – Gross Working Interest Reserves

|                                                                                                                | December 31<br>2024 | December 31<br>2023 <sup>(4)</sup> |
|----------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------|
| Proved plus probable reserves (mboe)                                                                           | 685,602             | 608,878                            |
| Net Present Value of future net revenue of 2P reserves<br>discounted at 10%, before tax (\$000) <sup>(1)</sup> | 4,422,721           | 4,229,092                          |
| Net Asset Value per Share discounted at 10%, before tax (\$) <sup>(2)(5)</sup>                                 | 23.00               | 25.07                              |
| Reserve Life Index (proved plus probable - years) <sup>(3)</sup>                                               | 24.4                | 24.4                               |
| Reserves per share (proved plus probable - boe) <sup>(2)</sup>                                                 | 4.11                | 3.75                               |
| Bank indebtedness per boe of reserves (proved plus probable) (\$)                                              | 0.69                | 0.35                               |

<sup>(1)</sup> Assumes that development of each property will occur, without regard to the likely availability to the Corporation of funding required for that development.

<sup>(2)</sup> Based on 166.9 million shares outstanding at December 31, 2024 and 162.2 million at December 31, 2023.

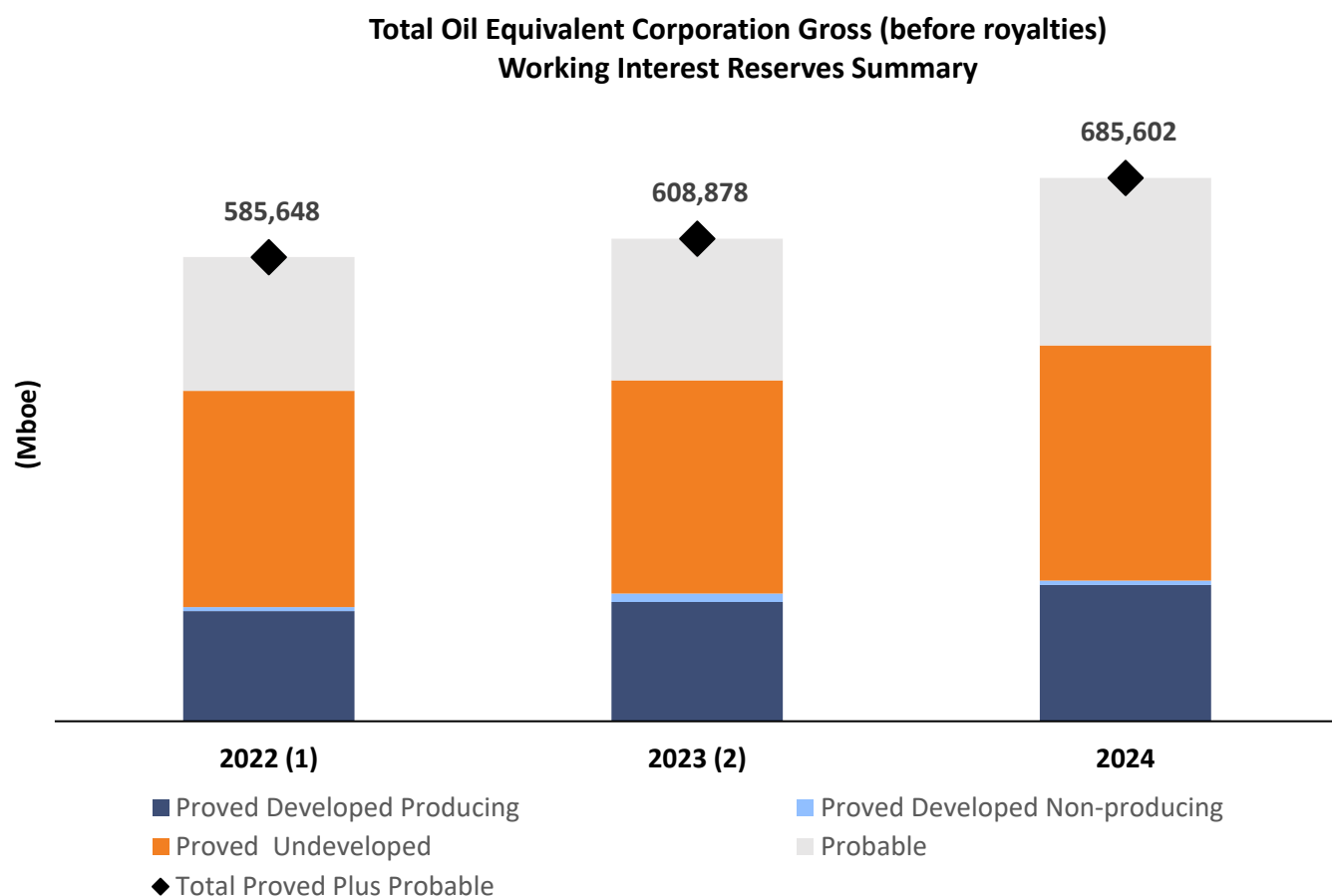
<sup>(3)</sup> Based on fourth quarter average production and Corporation interest reserves.

<sup>(4)</sup> Reserves based upon an evaluation by Sproule Associates Limited with an effective date of December 31, 2023 contained in a report of Sproule dated March 1, 2024 using the IQRE average product price forecast effective December 31, 2023.

<sup>(5)</sup> Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

## Corporation Gross (before royalties) Working Interest Reserves Summary as at December 31, 2024

|                                   | Light &<br>Medium<br>Crude Oil<br>(Mbbbls) | Conventional<br>Natural Gas<br>(MMcf) | Shale Gas<br>(MMcf) | Natural<br>Gas Liquids<br>(Mbbbls) | Total Oil<br>Equivalent<br>(Mboe) |
|-----------------------------------|--------------------------------------------|---------------------------------------|---------------------|------------------------------------|-----------------------------------|
| <b>Proved</b>                     |                                            |                                       |                     |                                    |                                   |
| Developed Producing               | 10,324                                     | 78,240                                | 825,339             | 10,995                             | 171,916                           |
| Developed Non-producing           | 234                                        | 948                                   | 29,095              | 269                                | 5,510                             |
| Undeveloped                       | 23,134                                     | 144,210                               | 1,367,962           | 21,628                             | 296,791                           |
| <b>Total Proved</b>               | <b>33,692</b>                              | <b>223,399</b>                        | <b>2,222,396</b>    | <b>32,892</b>                      | <b>474,217</b>                    |
| Probable                          | 15,671                                     | 102,282                               | 984,922             | 14,513                             | 211,385                           |
| <b>Total Proved Plus Probable</b> | <b>49,363</b>                              | <b>325,681</b>                        | <b>3,207,317</b>    | <b>47,406</b>                      | <b>685,602</b>                    |



(1) Reserves based upon an evaluation by Sproule Associates Limited with an effective date of December 31, 2022 contained in a report of Sproule dated February 22, 2023 using the IQRE average product price forecast effective December 31, 2022.

(2) Reserves based upon an evaluation by Sproule Associates Limited with an effective date of December 31, 2023 contained in a report of Sproule dated March 1, 2024 using the IQRE average product price forecast effective December 31, 2023.

## Corporation Net Present Value of Future Net Revenue using IQRE Average price and cost forecasts

(1)(2)(3)

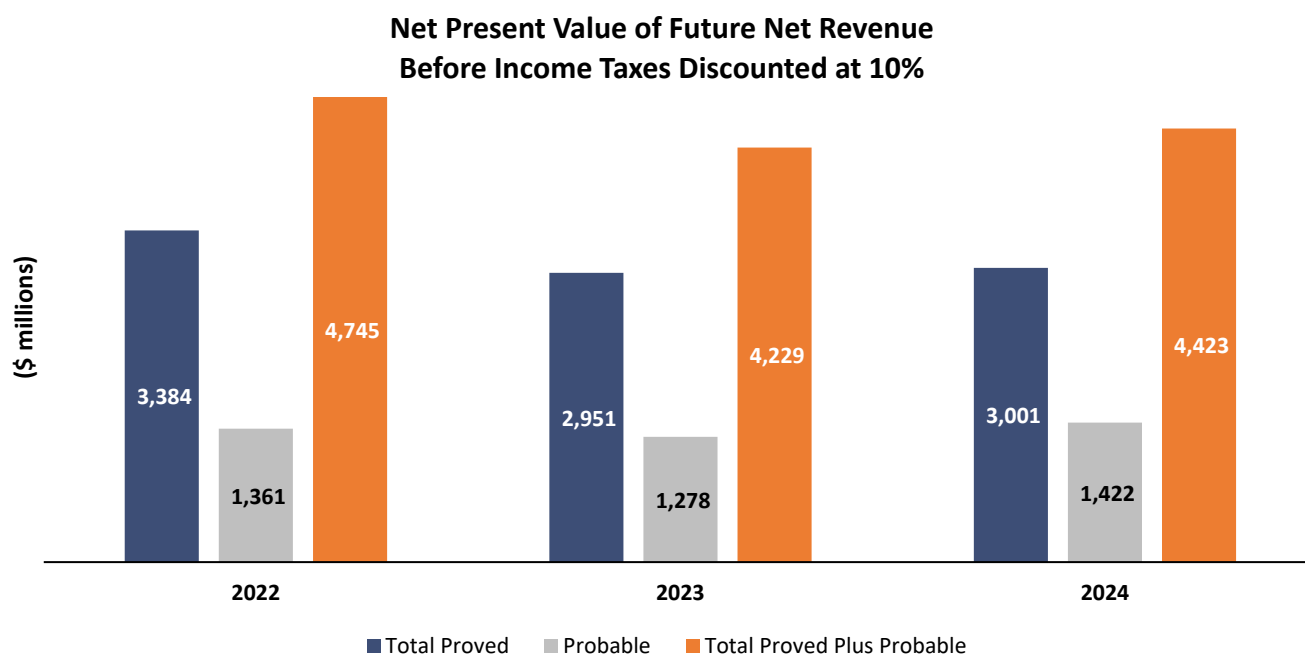
| (\$000)                           | Before Income Taxes Discounted at |                  |                  |
|-----------------------------------|-----------------------------------|------------------|------------------|
|                                   | 0%                                | 10%              | 15%              |
| <b>Proved</b>                     |                                   |                  |                  |
| Developed Producing               | 2,384,343                         | 1,439,823        | 1,206,765        |
| Developed Non-producing           | 89,845                            | 43,510           | 34,009           |
| Undeveloped                       | 4,399,312                         | 1,517,609        | 998,537          |
| <b>Total Proved</b>               | <b>6,873,499</b>                  | <b>3,000,942</b> | <b>2,239,311</b> |
| Probable                          | 4,432,482                         | 1,421,778        | 981,161          |
| <b>Total Proved Plus Probable</b> | <b>11,305,982</b>                 | <b>4,422,721</b> | <b>3,220,472</b> |

(1) Advantage's light crude oil and medium crude oil, conventional natural gas, shale gas and natural gas liquid reserves were evaluated using the average of the forecasts ("IQRE Average Forecast") prepared by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule Associates Limited effective December 31, 2024, prior to the provision for income taxes, interests, debt services charges and general and administrative expenses. It should not be assumed that the discounted future net revenue estimated by Sproule represents the fair market value of the reserves.

(2) Assumes that development of reserves will occur, without regard to the likely availability to the Corporation of funding required for that development.

(3) Future Net Revenue incorporates Managements' estimates of required abandonment and reclamation costs, including expected timing such costs will be incurred, associated with all wells, facilities and infrastructure.

(4) Table may not add due to rounding.



## IQRE Average Forecasts and Assumptions

The net present value of future net revenue at December 31, 2024 was based upon light and medium oil, conventional natural gas, shale gas and natural gas liquid pricing assumptions, which was computed by using the IQRE Average Forecast effective December 31, 2024. These forecasts are adjusted for reserves quality, transportation charges and the provision of any applicable sales contracts. The price assumptions used over the next seven years are summarized in the table below:

| Year       | Edmonton<br>Light Sweet<br>Crude Oil 40°<br>API<br>(\$Cdn/bbl) | AECO-C<br>Spot<br>(\$Cdn/MMbtu) | Edmonton<br>Pentanes<br>Plus<br>(\$Cdn/bbl) | Edmonton<br>Butane<br>(\$Cdn/bbl) | Edmonton<br>Propane<br>(\$Cdn/bbl) | Operating<br>Cost Inflation<br>Rate<br>%/year | Capital Cost<br>Inflation Rate<br>%/year | Exchange<br>Rate<br>(\$US/\$Cdn) <sup>(3)</sup> |
|------------|----------------------------------------------------------------|---------------------------------|---------------------------------------------|-----------------------------------|------------------------------------|-----------------------------------------------|------------------------------------------|-------------------------------------------------|
| 2025       | 94.79                                                          | 2.36                            | 100.14                                      | 51.15                             | 33.56                              | -                                             | -                                        | 0.712                                           |
| 2026       | 97.04                                                          | 3.33                            | 100.72                                      | 49.99                             | 32.78                              | 2.0                                           | 2.0                                      | 0.728                                           |
| 2027       | 97.37                                                          | 3.48                            | 100.24                                      | 50.16                             | 32.81                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2028       | 99.80                                                          | 3.69                            | 102.73                                      | 51.41                             | 33.63                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2029       | 101.79                                                         | 3.76                            | 104.79                                      | 52.44                             | 34.30                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2030       | 103.83                                                         | 3.83                            | 106.86                                      | 53.49                             | 34.99                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2031       | 105.91                                                         | 3.91                            | 109.01                                      | 54.56                             | 35.69                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2032       | 108.03                                                         | 3.99                            | 111.19                                      | 55.65                             | 36.40                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2033       | 110.19                                                         | 4.07                            | 113.42                                      | 56.76                             | 37.13                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2034       | 112.39                                                         | 4.15                            | 115.69                                      | 57.90                             | 37.87                              | 2.0                                           | 2.0                                      | 0.743                                           |
| 2035       | 114.64                                                         | 4.23                            | 118.00                                      | 59.05                             | 38.63                              | 2.0                                           | 2.0                                      | 0.743                                           |
| Thereafter | +2% per year                                                   | +2% per year                    | +2% per year                                | +2% per year                      | +2% per year                       | +2% per year                                  | +2% per year                             | 0.743                                           |

## Net Asset Value using IQRE Average price and cost forecasts (Before Income Taxes)

The following net asset value ("NAV") table shows what is normally referred to as a "produce-out" NAV calculation under which the current value of the Corporation's reserves would be produced at forecast future prices and costs. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time.

| (\$000, except per share amounts)                               | Before Income Taxes Discounted at |           |           |
|-----------------------------------------------------------------|-----------------------------------|-----------|-----------|
|                                                                 | 0%                                | 10%       | 15%       |
| Net asset value per share <sup>(1)</sup> - December 31, 2023    | \$ 71.55                          | \$ 25.07  | \$ 17.52  |
| Net present value proved and probable reserves                  | 11,305,982                        | 4,422,721 | 3,220,472 |
| Undeveloped land <sup>(2)</sup>                                 | 15,172                            | 15,172    | 15,172    |
| Working capital and other <sup>(3)(4)</sup>                     | 104,088                           | 104,088   | 104,088   |
| Bank indebtedness                                               | (470,424)                         | (470,424) | (470,424) |
| Convertible debentures <sup>(5)</sup>                           | (143,750)                         | (143,750) | (143,750) |
| Financing liability                                             | (88,083)                          | (88,083)  | (88,083)  |
| Net asset value - December 31, 2024 <sup>(3)</sup>              | 10,722,985                        | 3,839,724 | 2,637,475 |
| Net asset value per share <sup>(1)(3)</sup> - December 31, 2024 | \$ 64.24                          | \$ 23.00  | \$ 15.80  |

<sup>(1)</sup> Based on 166.9 million shares outstanding at December 31, 2024 and 162.2 million at December 31, 2023.

<sup>(2)</sup> The value of undeveloped land is based on book value.

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

<sup>(4)</sup> Working capital excludes the working capital balance incurred by the Corporation's subsidiary, Entropy. Other is calculated as current and non-current derivative asset less current and non-current derivative liability.

<sup>(5)</sup> Represents the principal balance of convertible debentures outstanding as at December 31, 2024.

## Company Gross (before royalties) Working Interest Reserves Reconciliation

| FACTORS                                         | Light Crude<br>Oil and<br>Medium<br>Crude Oil<br>(Mbbbls) | Conventional<br>Natural Gas<br>(MMcf) | Shale Gas<br>(MMcf) | Natural Gas<br>Liquids <sup>(5)</sup><br>(Mbbbls) | Total Oil<br>Equivalent<br>(Mboe) |
|-------------------------------------------------|-----------------------------------------------------------|---------------------------------------|---------------------|---------------------------------------------------|-----------------------------------|
| <b>GROSS TOTAL PROVED</b>                       |                                                           |                                       |                     |                                                   |                                   |
| December 31, 2023                               | 12,621.7                                                  | 2,337,131                             | -                   | 28,051.1                                          | 430,194.5                         |
| Extensions and improved recovery <sup>(1)</sup> | 4,447.7                                                   | 23,401                                | 65,483              | 1,512.7                                           | 20,774.4                          |
| Technical revisions <sup>(2)</sup>              | (169.7)                                                   | (2,242,671)                           | 2,292,413           | 2,890.1                                           | 11,010.9                          |
| Discoveries                                     | -                                                         | -                                     | -                   | -                                                 | -                                 |
| Acquisitions <sup>(3)</sup>                     | 18,803.0                                                  | 112,944                               | 473                 | 2,080.0                                           | 39,785.8                          |
| Dispositions                                    | -                                                         | -                                     | -                   | -                                                 | -                                 |
| Economic factors <sup>(4)</sup>                 | (53.5)                                                    | (489)                                 | (8,214)             | (88.8)                                            | (1,592.7)                         |
| Production                                      | (1,957.0)                                                 | (6,917)                               | (127,759)           | (1,552.8)                                         | (25,955.8)                        |
| <b>December 31, 2024</b>                        | <b>33,692.3</b>                                           | <b>223,399</b>                        | <b>2,222,396</b>    | <b>32,892.3</b>                                   | <b>474,217.0</b>                  |
| <b>GROSS TOTAL PROBABLE</b>                     |                                                           |                                       |                     |                                                   |                                   |
| December 31, 2023                               | 6,794.7                                                   | 957,328                               | -                   | 12,333.9                                          | 178,683.1                         |
| Extensions and improved recovery <sup>(1)</sup> | (72.3)                                                    | (2,014)                               | 15,613              | (49.0)                                            | 2,145.3                           |
| Technical revisions <sup>(2)</sup>              | (686.3)                                                   | (909,477)                             | 969,221             | 1,270.2                                           | 10,541.2                          |
| Discoveries                                     | -                                                         | -                                     | -                   | -                                                 | -                                 |
| Acquisitions <sup>(3)</sup>                     | 9,668.9                                                   | 56,768                                | 258                 | 983.0                                             | 20,156.3                          |
| Dispositions                                    | -                                                         | -                                     | -                   | -                                                 | -                                 |
| Economic factors <sup>(4)</sup>                 | (34.1)                                                    | (323)                                 | (171)               | (24.9)                                            | (141.3)                           |
| Production                                      | -                                                         | -                                     | -                   | -                                                 | -                                 |
| <b>December 31, 2024</b>                        | <b>15,670.9</b>                                           | <b>102,282</b>                        | <b>984,922</b>      | <b>14,513.2</b>                                   | <b>211,384.6</b>                  |
| <b>GROSS TOTAL PROVED PLUS PROBABLE</b>         |                                                           |                                       |                     |                                                   |                                   |
| December 31, 2023                               | 19,416.4                                                  | 3,294,458                             | -                   | 40,385.0                                          | 608,877.6                         |
| Extensions and improved recovery <sup>(1)</sup> | 4,375.4                                                   | 21,387                                | 81,096              | 1,463.7                                           | 22,919.7                          |
| Technical revisions <sup>(2)</sup>              | (856.0)                                                   | (3,152,148)                           | 3,261,634           | 4,160.3                                           | 21,552.1                          |
| Discoveries                                     | -                                                         | -                                     | -                   | -                                                 | -                                 |
| Acquisitions <sup>(3)</sup>                     | 28,471.9                                                  | 169,712                               | 731                 | 3,063.0                                           | 59,942.1                          |
| Dispositions                                    | -                                                         | -                                     | -                   | -                                                 | -                                 |
| Economic factors <sup>(4)</sup>                 | (87.6)                                                    | (812)                                 | (8,385)             | (113.7)                                           | (1,734.0)                         |
| Production                                      | (1,957.0)                                                 | (6,917)                               | (127,759)           | (1,552.8)                                         | (25,955.8)                        |
| <b>December 31, 2024</b>                        | <b>49,363.1</b>                                           | <b>325,681</b>                        | <b>3,207,317</b>    | <b>47,405.5</b>                                   | <b>685,601.6</b>                  |

<sup>(1)</sup> Extensions and improved recovery: Reserves were added from 19.8 net wells brought on production concurrent with Advantage's 2024 capital program.

<sup>(2)</sup> Technical revisions: Total technical revisions are largely driven by positive revisions at existing wells and locations due to increased well performance. Additionally, technical revisions includes the reclassification of Montney gas from conventional natural gas to shale gas effective January 1, 2024, which resulted in a classification between the product types for 2,337,131 MMcf of gross total proved, 957,328 MMcf of gross total probable and 3,294,458 MMcf of gross total proved plus probable.

<sup>(3)</sup> Acquisitions: Changes were the result of Charlie Lake and Montney assets acquired in 2024, including the disposal of certain reserves associated with these acquisitions within the same year.

<sup>(4)</sup> Economic factors: Changes in forecast pricing for both crude oil and natural gas resulted in minor, negative impact to total reserves. Less than one per cent of total proved and total proved plus probable reserves were removed due to changes in forecast pricing.

<sup>(5)</sup> Natural gas liquids include condensate.

<sup>(6)</sup> Tables may not add due to rounding.

**Company 2024 F&D Cost – Gross (before royalties) Working Interest Reserves Including Future Development Capital<sup>(1)(2)(3)</sup>**

|                                                           | Proved    | Proved<br>Plus Probable |
|-----------------------------------------------------------|-----------|-------------------------|
| Advantage net capital expenditures (\$000) <sup>(4)</sup> | 700,597   | 700,597                 |
| Acquisitions & dispositions (\$000)                       | (433,853) | (433,853)               |
| Net change in FDC (\$000)                                 | 16,767    | 27,006                  |
| Total capital (\$000)                                     | 283,511   | 293,750                 |
| Total Mboe, end of year                                   | 474,217   | 685,602                 |
| Total Mboe, beginning of year                             | 430,195   | 608,878                 |
| Acquisitions & dispositions, Mboe                         | 39,786    | 59,942                  |
| Production, Mboe                                          | (25,956)  | (25,956)                |
| Reserve additions, Mboe                                   | 30,192    | 42,738                  |
| 2024 F&D costs (\$/boe) <sup>(4)</sup>                    | \$ 9.39   | \$ 6.87                 |
| 2023 F&D costs (\$/boe) <sup>(4)</sup>                    | \$ 8.50   | \$ 8.17                 |
| Three-year average F&D costs (\$/boe) <sup>(4)</sup>      | \$ 8.34   | \$ 7.20                 |

**Company 2024 FD&A Costs – Gross (before royalties) Working Interest Reserves including FDC<sup>(1)(2)(3)</sup>**

|                                                           | Proved    | Proved<br>Plus Probable |
|-----------------------------------------------------------|-----------|-------------------------|
| Advantage net capital expenditures (\$000) <sup>(4)</sup> | 700,597   | 700,597                 |
| Net change in FDC (\$000)                                 | 496,634   | 664,659                 |
| Total capital (\$000)                                     | 1,197,231 | 1,365,256               |
| Total Mboe, end of year                                   | 474,217   | 685,602                 |
| Total Mboe, beginning of year                             | 430,195   | 608,878                 |
| Production, Mboe                                          | (25,956)  | (25,956)                |
| Reserve additions, Mboe                                   | 69,978    | 102,680                 |
| 2024 FD&A costs (\$/boe) <sup>(4)</sup>                   | \$ 17.11  | \$ 13.30                |
| 2023 FD&A costs (\$/boe) <sup>(4)</sup>                   | \$ 8.79   | \$ 8.39                 |
| Three-year average FD&A costs (\$/boe) <sup>(4)</sup>     | \$ 12.32  | \$ 10.44                |

<sup>(1)</sup> F&D and FD&A costs are calculated by dividing total capital by reserve additions during the applicable period. Total capital includes both capital expenditures incurred and changes in FDC required to bring the proved undeveloped and probable undeveloped reserves to production during the applicable period. Reserves additions are calculated as the change in reserves from the beginning to the ending of the applicable period excluding production. F&D excludes the impact of acquisitions and dispositions while FD&A includes the impact of acquisitions and dispositions.

<sup>(2)</sup> The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FDC generally will not reflect total finding and development costs related to reserves additions for that year. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect McDaniel's best estimate of what it will cost to bring the proved undeveloped and probable undeveloped reserves on production.

<sup>(3)</sup> The change in FDC is primarily from incremental undeveloped locations.

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



## **CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS**

For the three months and years ended December 31, 2024 and 2023

## CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of March 4, 2025, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three months and year ended December 31, 2024, and should be read in conjunction with the December 31, 2024, audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated. All dollar per boe figures herein forth only include the results of Advantage's natural gas and liquids operations and exclude the results of Entropy Inc. ("Entropy").

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

| <b>Financial Highlights</b><br><br>(\$000, except as otherwise indicated) | <b>Three months ended</b><br><b>December 31</b> |             | <b>Year ended</b><br><b>December 31</b> |             |
|---------------------------------------------------------------------------|-------------------------------------------------|-------------|-----------------------------------------|-------------|
|                                                                           | <b>2024</b>                                     | <b>2023</b> | <b>2024</b>                             | <b>2023</b> |
| <b>Financial Statement Highlights</b>                                     |                                                 |             |                                         |             |
| Natural gas and liquids sales                                             | <b>163,477</b>                                  | 147,137     | <b>543,295</b>                          | 541,100     |
| Net income and comprehensive income <sup>(3)</sup>                        | <b>17,130</b>                                   | 41,026      | <b>21,719</b>                           | 101,597     |
| per basic share <sup>(2)</sup>                                            | <b>0.10</b>                                     | 0.25        | <b>0.13</b>                             | 0.61        |
| per diluted share <sup>(2)</sup>                                          | <b>0.10</b>                                     | 0.24        | <b>0.13</b>                             | 0.59        |
| Basic weighted average shares (000)                                       | <b>166,974</b>                                  | 163,939     | <b>163,955</b>                          | 166,553     |
| Diluted weighted average shares (000)                                     | <b>169,785</b>                                  | 168,441     | <b>166,821</b>                          | 171,833     |
| Cash provided by operating activities                                     | <b>56,350</b>                                   | 89,048      | <b>217,533</b>                          | 323,345     |
| Cash provided by (used in) financing activities                           | <b>22,789</b>                                   | (52,120)    | <b>481,077</b>                          | (70,263)    |
| Cash used in investing activities                                         | <b>(71,202)</b>                                 | (58,846)    | <b>(697,725)</b>                        | (282,761)   |
| <b>Other Financial Highlights</b>                                         |                                                 |             |                                         |             |
| Adjusted funds flow <sup>(1)</sup>                                        | <b>81,389</b>                                   | 82,494      | <b>241,396</b>                          | 313,570     |
| per basic share <sup>(1)(2)</sup>                                         | <b>0.49</b>                                     | 0.50        | <b>1.47</b>                             | 1.88        |
| per diluted share <sup>(1)(2)</sup>                                       | <b>0.48</b>                                     | 0.49        | <b>1.45</b>                             | 1.82        |
| Net capital expenditures <sup>(1)</sup>                                   | <b>99,162</b>                                   | 39,938      | <b>736,911</b>                          | 282,796     |
| Free cash flow - surplus (deficit) <sup>(1)</sup>                         | <b>(29,194)</b>                                 | 42,680      | <b>(61,662)</b>                         | 40,933      |
| Bank indebtedness                                                         | <b>470,424</b>                                  | 212,854     | <b>470,424</b>                          | 212,854     |
| Net debt <sup>(1)(4)</sup>                                                | <b>718,449</b>                                  | 235,010     | <b>718,449</b>                          | 235,010     |

<sup>(1)</sup> 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.

<sup>(2)</sup> Based on basic and diluted weighted average shares outstanding.

<sup>(3)</sup> Net income and comprehensive income attributable to Advantage Shareholders.

<sup>(4)</sup> As at December 31, 2024, net debt was \$718.4 million, consisting of \$625.6 million with Advantage and \$92.8 million with Entropy.

**Operating Highlights<sup>(1)</sup>**

|                                                          | Three months ended<br>December 31 |         | Year ended<br>December 31 |         |
|----------------------------------------------------------|-----------------------------------|---------|---------------------------|---------|
|                                                          | 2024                              | 2023    | 2024                      | 2023    |
| <b>Operating</b>                                         |                                   |         |                           |         |
| Production                                               |                                   |         |                           |         |
| Crude oil (bbls/d)                                       | <b>7,527</b>                      | 3,254   | <b>5,347</b>              | 2,710   |
| Condensate (bbls/d)                                      | <b>979</b>                        | 1,264   | <b>1,116</b>              | 1,166   |
| NGLs (bbls/d)                                            | <b>3,379</b>                      | 3,345   | <b>3,127</b>              | 3,021   |
| Total liquids production (bbls/d)                        | <b>11,885</b>                     | 7,863   | <b>9,590</b>              | 6,897   |
| Natural gas (Mcf/d)                                      | <b>389,331</b>                    | 363,124 | <b>367,965</b>            | 322,687 |
| Total production (boe/d)                                 | <b>76,774</b>                     | 68,384  | <b>70,918</b>             | 60,678  |
| Average realized prices (including realized derivatives) |                                   |         |                           |         |
| Natural gas (\$/Mcf)                                     | <b>2.46</b>                       | 2.84    | <b>2.20</b>               | 3.24    |
| Liquids (\$/bbl)                                         | <b>87.84</b>                      | 81.55   | <b>85.02</b>              | 78.35   |
| <b>Operating Netback (\$/boe)</b>                        |                                   |         |                           |         |
| Natural gas and liquids sales                            | <b>23.14</b>                      | 23.39   | <b>20.93</b>              | 24.43   |
| Realized gains on derivatives                            | <b>2.91</b>                       | 0.98    | <b>1.97</b>               | 1.59    |
| Processing and other income                              | <b>0.11</b>                       | 0.39    | <b>0.21</b>               | 0.34    |
| Net sales of purchased natural gas                       | -                                 | -       | -                         | (0.01)  |
| Royalty expense                                          | <b>(2.40)</b>                     | (1.64)  | <b>(2.02)</b>             | (1.92)  |
| Operating expense                                        | <b>(5.19)</b>                     | (3.55)  | <b>(4.75)</b>             | (3.78)  |
| Transportation expense                                   | <b>(3.77)</b>                     | (4.08)  | <b>(3.90)</b>             | (4.09)  |
| Operating netback <sup>(2)</sup>                         | <b>14.80</b>                      | 15.49   | <b>12.44</b>              | 16.56   |

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

<sup>(2)</sup> 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

On June 24, 2024, the Corporation closed the acquisition of certain Charlie Lake and Montney assets (the “Acquisition” or the “Acquired Assets”) for cash consideration of \$445.3 million, including closing adjustments. The Acquisition capitalized on an opportunity to consolidate a high-quality, liquids-weighted asset that is contiguous with our existing core areas and complementary to our infrastructure platform.

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

In the fourth quarter of 2024, the Corporation disposed of certain non-core assets for proceeds of \$11.4 million (see “Cash Used in Investing Activities and Net Capital Expenditures”).

## Advantage 2025 Guidance

On December 10, 2024, the Corporation announced its 2025 budget (see News Release dated December 10, 2024).

Advantage's 2025 capital program continues our focus on growing adjusted funds flow per share via high rate-of-return development drilling. To maximize shareholder value, all free cash flow from operations will be allocated to debt reduction though a portion of the proceeds from non-core asset divestitures may be used to buy back shares, while achieving a net debt target of \$450 million towards the end of 2025. On March 4, 2025, the United States implemented a 25% across-the-board tariff, with a lower 10% tariff implemented on Canadian energy. The full impact of the implemented tariffs to supply chains is not determinable at this time.

The below table summarizes Advantage’s 2025 guidance:

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

<sup>(1)</sup> Forward-looking statements and information representing Management estimates. Please see “Forward-Looking Information and Other Advisories”.

<sup>(2)</sup> 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.

<sup>(3)</sup> Guidance numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

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

## Corporate Update (continued)

### Advantage 2024 Guidance Comparison

The below table summarizes Advantage's 2024 guidance compared to actual 2024 financial and operational results:

|                                                | Original 2024<br>Guidance <sup>(1)(3)</sup> | Revised 2024 Guidance <sup>(2)(3)</sup> | 2024<br>Actual <sup>(3)</sup> |
|------------------------------------------------|---------------------------------------------|-----------------------------------------|-------------------------------|
| Net capital expenditures (\$ millions)         | 260 to 290                                  | 245 to 275                              | 266.7 <sup>(4)</sup>          |
| Total Production (boe/day)                     | 65,000 to 68,000                            | 70,000 to 73,000                        | 70,918                        |
| Liquids Production (%)                         | ~10%                                        | ~13%                                    | 14%                           |
| Royalty Rate (%)                               | 7 to 9                                      | 9 to 10                                 | 9.7                           |
| Operating Expense (\$/boe) <sup>(5)</sup>      | 3.85                                        | 5.00                                    | 4.75                          |
| Transportation Expense (\$/boe) <sup>(5)</sup> | 3.95                                        | 3.50                                    | 3.90                          |
| G&A/Finance Expense (\$/boe) <sup>(5)</sup>    | 1.90                                        | 2.50                                    | 2.54                          |

<sup>(1)</sup> See December 31, 2023 MD&A dated as of March 4, 2024 for original guidance.

<sup>(2)</sup> See June 30, 2024 MD&A dated as of July 25, 2024 and September 30, 2024 MD&A dated as of October 24, 2024 for revised guidance.

<sup>(3)</sup> Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

<sup>(4)</sup> Excluding acquisitions and dispositions.

<sup>(5)</sup> \$/boe are specified financial measures which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Advantage revised its guidance on successful closing of the Acquisition and actual results for 2024 were substantially within the revised guidance other than as follows:

#### Operating Expense

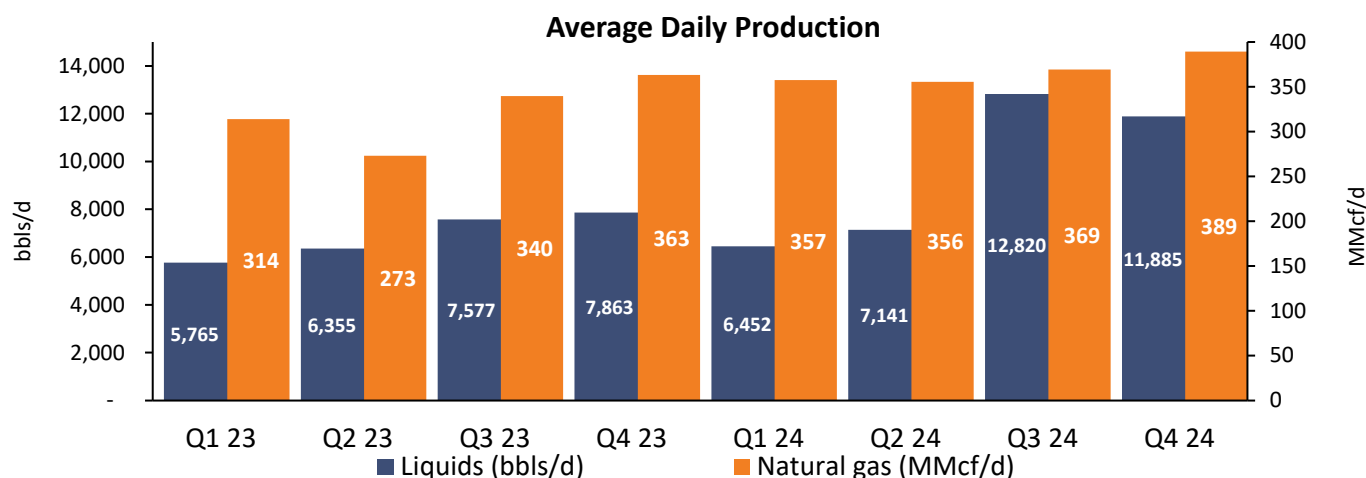
The Corporation achieved actual operating cost of \$4.75/boe and 5% below the revised guidance as a result of higher than anticipated operational synergies from the Acquisition, driving down operating costs on a per boe basis.

#### Transportation Expense

The Corporation's actual transportation expense was above its revised guidance at \$3.90/boe due to the classification of certain physical transportation agreements acquired from the Acquisition as an expense rather than a deduction from revenue.

## Production

| Average Daily Production                 | Three months ended<br>December 31 |               |             | Year ended<br>December 31 |               |             |
|------------------------------------------|-----------------------------------|---------------|-------------|---------------------------|---------------|-------------|
|                                          | 2024                              | 2023          | %<br>Change | 2024                      | 2023          | %<br>Change |
| Crude oil (bbls/d)                       | 7,527                             | 3,254         | 131         | 5,347                     | 2,710         | 97          |
| Condensate (bbls/d)                      | 979                               | 1,264         | (23)        | 1,116                     | 1,166         | (4)         |
| NGLs (bbls/d)                            | 3,379                             | 3,345         | 1           | 3,127                     | 3,021         | 4           |
| <b>Total liquids production (bbls/d)</b> | <b>11,885</b>                     | <b>7,863</b>  | <b>51</b>   | <b>9,590</b>              | <b>6,897</b>  | <b>39</b>   |
| Natural gas (Mcf/d)                      | 389,331                           | 363,124       | 7           | 367,965                   | 322,687       | 14          |
| <b>Total production (boe/d)</b>          | <b>76,774</b>                     | <b>68,384</b> | <b>12</b>   | <b>70,918</b>             | <b>60,678</b> | <b>17</b>   |
| Liquids (% of total production)          | 15                                | 11            |             | 14                        | 11            |             |
| Natural gas (% of total production)      | 85                                | 89            |             | 86                        | 89            |             |



For the three months and year ended December 31, 2024, Advantage delivered record total production averaging 76,774 boe/d and 70,918 boe/d, respectively, increases of 12% and 17% compared to the same periods of the prior year. All growth during the second half of 2024 has been directly attributable to the Acquired Assets.

Natural gas production for the three months and year ended December 31, 2024 averaged 389 MMcf/d and 368 MMcf/d, respectively, increases of 7% and 14% compared to the same periods of the prior year. The increase in natural gas production was due to continued development at Glacier, with 13.8 net wells brought on production (see "Cash Used in Investing Activities and Net Capital Expenditures"), accompanied with natural gas production from the Acquired Assets. Advantage has been responsibly managing our natural gas production during periods of unusually low Alberta natural gas prices during the second half of 2024. Production curtailment levels were determined on a continuous day-to-day basis to eliminate variable cash costs and defer development capital. The curtailments were primarily dry gas at Glacier, which is amongst the lowest-cost natural gas assets in North America and did not materially impact cash flow. The impact of curtailments on natural gas production for the year ended December 31, 2024 was approximately 11.2 MMcf/d.

Liquids production for the three months and year ended December 31, 2024 averaged 11,885 bbls/d and 9,590 bbls/d, respectively, increases of 51% and 39% compared to the same periods of the prior year, entirely due to liquids production from the Acquired Assets (see "Cash Used in Investing Activities and Net Capital Expenditures"). The increase in high-quality liquids production has had a dramatic impact on sales during the quarter (see "Natural Gas and Liquids Sales").

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

## Commodity Prices and Marketing

| Average Realized Prices <sup>(2)</sup>       | Three months ended<br>December 31 |        |             | Year ended<br>December 31 |        |             |
|----------------------------------------------|-----------------------------------|--------|-------------|---------------------------|--------|-------------|
|                                              | 2024                              | 2023   | %<br>Change | 2024                      | 2023   | %<br>Change |
| <b>Natural gas</b>                           |                                   |        |             |                           |        |             |
| Excluding derivatives (\$/Mcf)               | 2.03                              | 2.64   | (23)        | 1.87                      | 2.92   | (36)        |
| Including derivatives (\$/Mcf)               | 2.46                              | 2.84   | (13)        | 2.20                      | 3.24   | (32)        |
| <b>Liquids</b>                               |                                   |        |             |                           |        |             |
| Crude oil (\$/bbl)                           | 93.92                             | 97.89  | (4)         | 95.50                     | 94.35  | 1           |
| Condensate (\$/bbl)                          | 95.02                             | 97.88  | (3)         | 97.25                     | 98.80  | (2)         |
| NGLs (\$/bbl)                                | 55.11                             | 59.49  | (7)         | 57.05                     | 56.10  | 2           |
| Total liquids excluding derivatives (\$/bbl) | 82.98                             | 81.55  | 2           | 83.17                     | 78.35  | 6           |
| Total liquids including derivatives (\$/bbl) | 87.84                             | 81.55  | 8           | 85.02                     | 78.35  | 9           |
| <b>Average Benchmark Prices</b>              |                                   |        |             |                           |        |             |
| <b>Natural gas<sup>(1)</sup></b>             |                                   |        |             |                           |        |             |
| AECO daily (\$/Mcf)                          | 1.48                              | 2.30   | (36)        | 1.46                      | 2.64   | (45)        |
| AECO monthly (\$/Mcf)                        | 1.46                              | 2.66   | (45)        | 1.44                      | 2.93   | (51)        |
| Empress daily (\$/Mcf)                       | 1.59                              | 2.32   | (31)        | 1.51                      | 2.65   | (43)        |
| Henry Hub (\$US/MMbtu)                       | 2.42                              | 2.74   | (12)        | 2.25                      | 2.53   | (11)        |
| Emerson daily (\$US/MMbtu)                   | 1.55                              | 1.99   | (22)        | 1.39                      | 2.20   | (37)        |
| Dawn daily (\$US/MMbtu)                      | 2.23                              | 2.28   | (2)         | 1.96                      | 2.33   | (16)        |
| Chicago Citygate (\$US/MMbtu)                | 2.33                              | 2.29   | 2           | 2.13                      | 2.30   | (7)         |
| <b>Liquids</b>                               |                                   |        |             |                           |        |             |
| WTI (\$US/bbl)                               | 70.26                             | 78.26  | (10)        | 75.71                     | 77.57  | (2)         |
| MSW Edmonton (\$/bbl)                        | 94.88                             | 99.56  | (5)         | 97.64                     | 100.60 | (3)         |
| Average Exchange rate (\$US/\$CAD)           | 0.7149                            | 0.7346 | (3)         | 0.7301                    | 0.7409 | (1)         |

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

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

### Natural gas

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2024 was \$2.03/Mcf and \$1.87/Mcf, respectively, decreases of 23% and 36% compared to the same periods of the prior year. This decrease was attributed to lower natural gas benchmark prices in markets where Advantage physically delivers natural gas and has market diversification exposure. North American natural gas benchmark prices have decreased substantially in 2024 largely due to strong North American natural gas production accompanied by a mild 2023/2024 winter resulting in elevated gas inventories. In particular, natural gas prices at AECO and Empress fell below Glacier's variable costs of production at various points in September through early November whereby Advantage proactively curtailed production determined on a continuous day-to-day basis (see "Production").

Advantage's natural gas exposure consists of the AECO, Empress, Emerson, Dawn, and Chicago markets. Additionally, the Corporation delivers 25,000 MMbtu/d under a long-term natural gas supply agreement whereby Advantage receives a PJM electricity-based spark-spread price, less Alliance tolls. Advantage incurs additional transportation expense to deliver production beyond AECO to the Empress, Emerson, Dawn and Chicago markets (see "Transportation Expense").

## Commodity Prices and Marketing (continued)

The following table outlines the Corporation's 2025 forward-looking natural gas market exposure, and 2024 actual natural gas market exposure, excluding hedging.

| Sales Markets                        | Forward-looking 2025 <sup>(2)</sup>          |                                          | 2024                                      |                                          |
|--------------------------------------|----------------------------------------------|------------------------------------------|-------------------------------------------|------------------------------------------|
|                                      | Effective production (MMcf/d) <sup>(1)</sup> | Percentage of Natural Gas Production (%) | Actual production (MMcf/d) <sup>(1)</sup> | Percentage of Natural Gas Production (%) |
| AECO                                 | 170.8                                        | 41%                                      | 90.7                                      | 25%                                      |
| AECO Other <sup>(4)</sup>            | 28.4                                         | 7%                                       | 36.8                                      | 10%                                      |
| Empress                              | 88.4                                         | 21%                                      | 80.1                                      | 22%                                      |
| Emerson                              | 30.9                                         | 7%                                       | 43.1                                      | 12%                                      |
| Dawn                                 | 52.7                                         | 13%                                      | 52.7                                      | 14%                                      |
| Chicago                              | 17.1                                         | 4%                                       | 27.1                                      | 7%                                       |
| Ventura                              | -                                            | -                                        | 12.5                                      | 3%                                       |
| PJM electricity price <sup>(5)</sup> | 25.0                                         | 6%                                       | 25.0                                      | 7%                                       |
| <b>Total</b>                         | <b>413.2<sup>(3)</sup></b>                   | <b>100%</b>                              | <b>368.0</b>                              | <b>100%</b>                              |

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

<sup>(2)</sup> Natural gas market exposure based on contracts in-place at December 31, 2024.

<sup>(3)</sup> Represents the midpoint of our 2025 guidance for natural gas production volumes (see News Release dated December 10, 2024).

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

<sup>(5)</sup> Sales are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar.

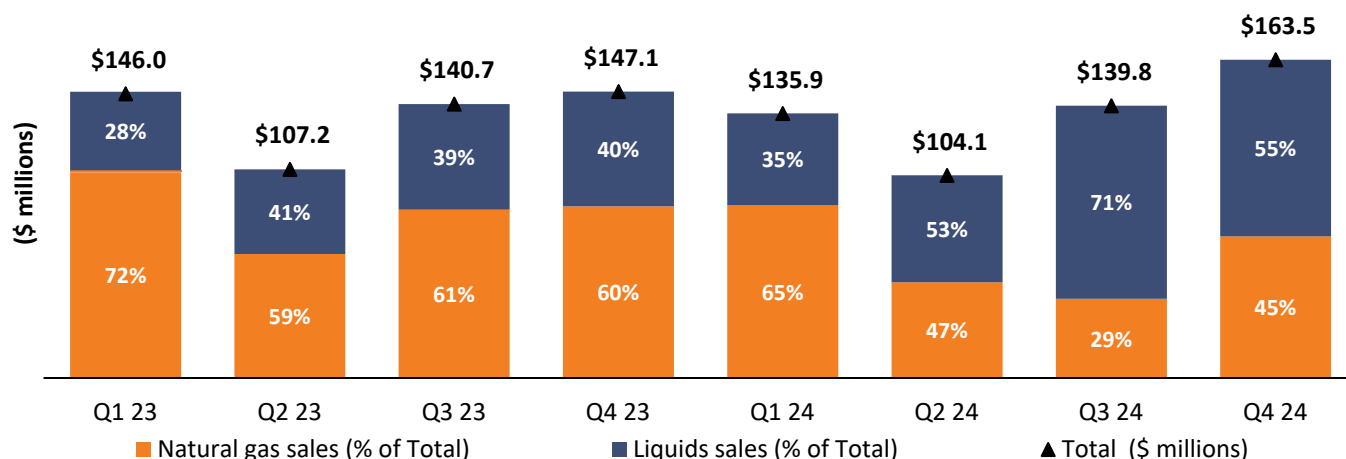
### Liquids

Advantage's realized liquids price excluding derivatives for the three months and year ended December 31, 2024 was \$82.98/bbl and \$83.17/bbl, respectively, increases of 2% and 6% compared to the same periods of the prior year. Realized liquids price excluding derivatives increased slightly in 2024 when compared to 2023 due to a higher proportion of Advantage's liquids production being comprised of crude oil, condensate, and pentanes compared to the prior year due to the impact from the Acquired Assets. 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 80% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other liquids. The quality of our liquids production has increased significantly from the prior year due to the Acquired Assets.

## Natural gas and liquids sales

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |                |             | Year ended<br>December 31 |                |             |
|----------------------------------------|-----------------------------------|----------------|-------------|---------------------------|----------------|-------------|
|                                        | 2024                              | 2023           | %<br>Change | 2024                      | 2023           | %<br>Change |
| Crude oil                              | 65,036                            | 29,304         | 122         | 186,896                   | 93,330         | 100         |
| Condensate                             | 8,558                             | 11,382         | (25)        | 39,723                    | 42,047         | (6)         |
| NGLs                                   | 17,133                            | 18,306         | (6)         | 65,289                    | 61,856         | 6           |
| <b>Liquids</b>                         | <b>90,727</b>                     | <b>58,992</b>  | <b>54</b>   | <b>291,908</b>            | <b>197,233</b> | <b>48</b>   |
| Natural gas                            | 72,750                            | 88,145         | (17)        | 251,387                   | 343,867        | (27)        |
| <b>Natural gas and liquids sales</b>   | <b>163,477</b>                    | <b>147,137</b> | <b>11</b>   | <b>543,295</b>            | <b>541,100</b> | <b>-</b>    |
| <b>per boe</b>                         | <b>23.14</b>                      | <b>23.39</b>   | <b>(1)</b>  | <b>20.93</b>              | <b>24.43</b>   | <b>(14)</b> |

### Natural Gas and Liquids Sales



Natural gas and liquids sales for the three months and year ended December 31, 2024, increased by \$16.3 million, or 11%, and \$2.2 million, or 0%, respectively, compared to the same corresponding periods of 2023.

For the year ended December 31, 2024, natural gas sales decreased by \$92.5 million or 27%, compared to 2023, due to a 36% decrease in realized gas prices (see "Commodity Prices and Marketing"), partially offset by a 14% increase in natural gas production volumes (see "Production"). Liquids sales increased by \$94.7 million, or 48%, due to a 39% increase in liquids production volumes (see "Production") and a 6% increase in realized liquids prices (see "Commodity Prices and Marketing"). The Acquired Assets contributed \$113.5 million of natural gas and liquids sales since closing the Acquisition on June 24, 2024, the majority of which attributed to liquids production (see "Corporate Update").

For the three months ended December 31, 2024, natural gas sales decreased by \$15.4 million or 17%, compared to the corresponding period in 2023, due to a 23% decrease in realized gas prices (see "Commodity Prices and Marketing"), partially offset by a 7% increase in natural gas production volumes (see "Production"). Fourth quarter liquids sales increased by \$31.7 million, or 54%, due to a 51% increase in liquids production volumes (see "Production") and a 2% increase in realized liquids prices (see "Commodity Prices and Marketing").

## Financial Risk Management

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

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three months and year ended December 31, 2024, and 2023 are as follows:

| (\$000)                                         | Three months ended<br>December 31 |               | Year ended<br>December 31 |                |
|-------------------------------------------------|-----------------------------------|---------------|---------------------------|----------------|
|                                                 | 2024                              | 2023          | 2024                      | 2023           |
| <b>Realized gains (losses) on derivatives</b>   |                                   |               |                           |                |
| Natural gas                                     | 16,169                            | 6,636         | 47,642                    | 38,184         |
| Crude oil                                       | 5,318                             | -             | 6,493                     | -              |
| Foreign exchange                                | (179)                             | (27)          | (101)                     | (2,033)        |
| Natural gas embedded derivative                 | (728)                             | (469)         | (2,907)                   | (908)          |
| <b>Total</b>                                    | <b>20,580</b>                     | <b>6,140</b>  | <b>51,127</b>             | <b>35,243</b>  |
| <b>Unrealized gains (losses) on derivatives</b> |                                   |               |                           |                |
| Natural gas                                     | (14,278)                          | 17,264        | 4,496                     | 6,233          |
| Crude oil                                       | (10,505)                          | -             | 7,052                     | -              |
| Foreign exchange                                | (1,461)                           | 682           | (1,634)                   | 3,090          |
| Natural gas embedded derivative                 | 25,793                            | 12,777        | (4,733)                   | (13,192)       |
| Unsecured debenture derivative                  | (68)                              | 365           | (866)                     | (5,606)        |
| <b>Total</b>                                    | <b>(519)</b>                      | <b>31,088</b> | <b>4,315</b>              | <b>(9,475)</b> |
| <b>Gains (losses) on derivatives</b>            |                                   |               |                           |                |
| Natural gas                                     | 1,891                             | 23,900        | 52,138                    | 44,417         |
| Crude oil                                       | (5,187)                           | -             | 13,545                    | -              |
| Foreign exchange                                | (1,640)                           | 655           | (1,735)                   | 1,057          |
| Natural gas embedded derivative                 | 25,065                            | 12,308        | (7,640)                   | (14,100)       |
| Unsecured debenture derivative                  | (68)                              | 365           | (866)                     | (5,606)        |
| <b>Total</b>                                    | <b>20,061</b>                     | <b>37,228</b> | <b>55,442</b>             | <b>25,768</b>  |

## Financial Risk Management (continued)

### Natural gas

For the three months and year ended December 31, 2024, Advantage realized net gains on natural gas derivatives of \$16.2 million and \$47.6 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices, which declined significantly throughout 2024.

For the three months and year ended December 31, 2024, Advantage recognized a net unrealized loss on natural gas derivatives of \$14.3 million and an unrealized gain of \$4.5 million, respectively. 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. For the three months December 31, 2024, the change in the fair value of natural gas derivative contracts was primarily impacted by realizing gains on outstanding contracts accompanied with new contracts having a decreased net asset valuation. The unrealized gain for the year ended December 31, 2024, is primarily due to new natural gas derivative contracts entered into during the year that are in an asset position as at December 31, 2024.

### Crude oil

In conjunction with the Acquisition in the second quarter of 2024, Advantage initiated a disciplined crude oil hedging program by entering into an increased volume of crude oil derivative contracts. For the three months and year ended December 31, 2024, Advantage realized gains on crude oil derivatives of \$5.3 million and \$6.5 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices, which declined during the second half of 2024.

Advantage recognized an unrealized loss on crude oil derivatives of \$10.5 million and an unrealized gain of \$7.1 million for the three months and year ended December 31, 2024, respectively. The unrealized loss is due to rising forward oil prices and realizing gains on outstanding contracts during the fourth quarter of 2024 while the unrealized gain is due to the crude oil derivative contracts being in an asset position at year end December 31, 2024.

### Foreign exchange

For the three months and year ended December 31, 2024, Advantage realized a loss on foreign exchange derivatives of \$0.2 million and \$0.1 million, respectively, while recognizing an unrealized loss of \$1.5 million and \$1.6 million, respectively. The unrealized loss for the three months and year ended December 31, 2024 is due to the weakening of the Canadian dollar versus the US dollar.

### Natural gas embedded derivative

Advantage has a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, that commenced in April 2023. Commercial terms of the agreement are based upon a spark-spread price, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread price and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US\$2.50/MMbtu. The Corporation will have realized gains (losses) on the embedded derivative when the realized settlement price differs from US\$2.50/MMbtu, resulting in a realized loss of \$2.9 million for the year ended December 31, 2024 (year ended December 31, 2023 – \$0.9 million). The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM electricity prices. For the three months and year ended December 31, 2024 the Corporation recognized an unrealized gain on the natural gas embedded derivative of \$25.8 million and an unrealized loss of \$4.7 million, respectively. The unrealized gain for the three months ended is due to strengthening PJM electricity prices resulting in an increased asset position of the derivative compared to the third quarter of 2024. The unrealized loss for the year ended December 31, 2024 is due to weakening of PJM electricity prices compared with the year end of December 31, 2023 resulting in a lower asset position of the derivative.

## Financial Risk Management (continued)

### Unsecured debentures derivative

The Corporation's subsidiary Entropy has unsecured debentures outstanding that have exchange features that meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable number of Entropy common shares (see "Unsecured Debentures"). The Corporation will record unrealized gains (losses) as the valuation of the conversion option changes. For the year ended December 31, 2024, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$0.1 million and \$0.9 million due to the increased value of the conversion option.

The fair value of derivative assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices, foreign exchange rates and interest rates as compared to the valuation assumptions. Remaining derivative contracts will settle between January 1, 2025 and March 31, 2028, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2025 and 2033.

As at December 31, 2024 and March 4, 2025, the Corporation had the following commodity and foreign exchange derivative contracts in place:

| Description of Derivative    | Term                         | Volume        | Price                         |
|------------------------------|------------------------------|---------------|-------------------------------|
| <b>Natural gas - AECO</b>    |                              |               |                               |
| Fixed price swap             | January 2025 to March 2025   | 113,738 Mcf/d | \$3.13/Mcf                    |
| Fixed price swap             | April 2025 to October 2025   | 120,847 Mcf/d | \$2.66/Mcf <sup>(1)</sup>     |
| Fixed price swap             | November 2025 to March 2026  | 123,216 Mcf/d | \$3.58/Mcf                    |
| Fixed price swap             | April 2026 to October 2026   | 66,347 Mcf/d  | \$3.17/Mcf <sup>(1)</sup>     |
| Fixed price swap             | November 2026 to March 2027  | 71,086 Mcf/d  | \$3.27/Mcf                    |
| Fixed price swap             | April 2027 to March 2028     | 14,217 Mcf/d  | \$3.23/Mcf                    |
| <b>Natural gas - Chicago</b> |                              |               |                               |
| Fixed price swap             | April 2025 to October 2025   | 4,739 Mcf/d   | \$5.10/Mcf <sup>(1)</sup>     |
| <b>Natural gas - Dawn</b>    |                              |               |                               |
| Fixed price swap             | January 2025 to October 2025 | 47,391 Mcf/d  | \$4.04/Mcf                    |
| Fixed price swap             | November 2025 to March 2026  | 28,435 Mcf/d  | \$4.65/Mcf                    |
| Fixed price swap             | April 2026 to October 2026   | 28,435 Mcf/d  | \$4.52/Mcf                    |
| Fixed price swap             | November 2026 to March 2027  | 9,478 Mcf/d   | \$4.25/Mcf                    |
| <b>Crude oil - WTI NYMEX</b> |                              |               |                               |
| Fixed price swap             | January 2025 to June 2025    | 5,000 bbls/d  | US \$74.43/bbl                |
| Fixed price swap             | July 2025 to December 2025   | 4,000 bbls/d  | US \$71.24/bbl <sup>(1)</sup> |

(1) Contains contracts entered into subsequent to December 31, 2024.

## Financial Risk Management (continued)

| Description of Derivative     | Term                         | Notional Amount       | Rate   |
|-------------------------------|------------------------------|-----------------------|--------|
| <b>Forward rate - CAD/USD</b> |                              |                       |        |
| Average rate currency swap    | January 2025                 | US \$ 5,000,000/month | 1.3996 |
| Average rate currency swap    | February 2025 to June 2025   | US \$ 4,000,000/month | 1.4048 |
| Average rate currency swap    | July 2025                    | US \$ 3,000,000/month | 1.3969 |
| Average rate currency swap    | August 2025 to December 2025 | US \$ 1,000,000/month | 1.4320 |

## Processing and Other Income

| (\$000, except as otherwise indicated) | Three months ended |              |             | Year ended   |              |             |
|----------------------------------------|--------------------|--------------|-------------|--------------|--------------|-------------|
|                                        | December 31        |              | %           | December 31  |              | %           |
|                                        | 2024               | 2023         | Change      | 2024         | 2023         | Change      |
| Advantage processing and other income  | 746                | 2,484        | (70)        | 5,557        | 7,627        | (27)        |
| per boe                                | 0.11               | 0.39         | (72)        | 0.21         | 0.34         | (38)        |
| Entropy engineering services           | 875                | -            | nm          | 1,250        | -            | nm          |
| <b>Processing and other income</b>     | <b>1,621</b>       | <b>2,484</b> | <b>(35)</b> | <b>6,807</b> | <b>7,627</b> | <b>(11)</b> |

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

For the three months and year ended December 31, 2024, Advantage generated processing and other income of \$0.7 million and \$5.6 million, respectively, decreases of 70% and 27% compared to the same periods of the prior year. The decreases were due to the Acquisition whereby Advantage acquired and now owns the production for which Advantage was previously charging natural gas processing fees at the Glacier Gas Plant.

## Net Sales of Purchased Natural Gas

| (\$000, except as otherwise indicated)    | Three months ended |          |           | Year ended  |              |           |
|-------------------------------------------|--------------------|----------|-----------|-------------|--------------|-----------|
|                                           | December 31        |          | %         | December 31 |              | %         |
|                                           | 2024               | 2023     | Change    | 2024        | 2023         | Change    |
| Sales of purchased natural gas            | -                  | -        | nm        | -           | 3,124        | nm        |
| Natural gas purchases                     | -                  | -        | nm        | -           | (3,371)      | nm        |
| <b>Net sales of purchased natural gas</b> | <b>-</b>           | <b>-</b> | <b>nm</b> | <b>-</b>    | <b>(247)</b> | <b>nm</b> |
| per boe                                   | -                  | -        | nm        | -           | (0.01)       | nm        |

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

## Royalty Expense

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |        |             | Year ended<br>December 31 |        |             |
|----------------------------------------|-----------------------------------|--------|-------------|---------------------------|--------|-------------|
|                                        | 2024                              | 2023   | %<br>Change | 2024                      | 2023   | %<br>Change |
| Royalty expense                        | 16,983                            | 10,302 | 65          | 52,471                    | 42,432 | 24          |
| per boe                                | 2.40                              | 1.64   | 46          | 2.02                      | 1.92   | 5           |
| Royalty rate (%) <sup>(1)</sup>        | 10.4                              | 7.0    | 3.4         | 9.7                       | 7.8    | 1.9         |

<sup>(1)</sup> 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.

The increase in royalty expense was due to significantly higher liquids production from the Acquired Assets (see "Production"), partially offset by lower natural gas royalties due to decreased natural gas prices. The average royalty rate for both the three months and year ended December 31, 2024 is higher due to a higher proportion of sales being liquids which generally attract higher royalty rates (see "Natural gas and liquids sales").

Advantage expects royalty rates to range from 8% to 10% in 2025.

## Operating Expense

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |               |             | Year ended<br>December 31 |               |             |
|----------------------------------------|-----------------------------------|---------------|-------------|---------------------------|---------------|-------------|
|                                        | 2024                              | 2023          | %<br>Change | 2024                      | 2023          | %<br>Change |
| Advantage operating expense            | 36,677                            | 22,345        | 64          | 123,226                   | 83,762        | 47          |
| per boe                                | 5.19                              | 3.55          | 46          | 4.75                      | 3.78          | 26          |
| Entropy operating expense              | 859                               | 379           | 127         | 2,521                     | 691           | 265         |
| <b>Operating expense</b>               | <b>37,536</b>                     | <b>22,724</b> | <b>65</b>   | <b>125,747</b>            | <b>84,453</b> | <b>49</b>   |

Operating expense for Advantage's natural gas and liquids operations for the three months and year ended December 31, 2024, increased by \$14.3 million and \$39.5 million, increases of 64% and 47%, respectively, compared to the same periods of the prior year. Operating expense per boe for the three months and year ended December 31, 2024 was \$5.19/boe and \$4.75/boe, respectively. Higher operating expense as compared to the prior year was attributed to higher production from the Acquired Assets. The Acquired Assets are liquids-weighted and therefore have higher operating costs per boe as well as higher operating netbacks. Operating costs per boe for the Acquired Assets are now approximately 25% lower than expected due to greater-than-anticipated operational synergies achieved to date. As a result, operating costs per boe are 11% below guidance for the second half of 2024.

Operating expense for Entropy for the three months and year ended December 31, 2024, increased as compared to the same periods of the prior year due to Glacier Phase 1B being brought online in 2024.

Advantage expects 2025 annual operating expense per boe to be at approximately \$5.20 to \$5.90/boe (see "Corporate Update").

## Transportation Expense

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |               |             | Year ended<br>December 31 |               |             |
|----------------------------------------|-----------------------------------|---------------|-------------|---------------------------|---------------|-------------|
|                                        | 2024                              | 2023          | %<br>Change | 2024                      | 2023          | %<br>Change |
| Natural gas transportation expense     | 22,064                            | 21,337        | 3           | 84,264                    | 77,364        | 9           |
| Liquids transportation expense         | 4,568                             | 4,327         | 6           | 16,875                    | 13,239        | 27          |
| <b>Transportation expense</b>          | <b>26,632</b>                     | <b>25,664</b> | <b>4</b>    | <b>101,139</b>            | <b>90,603</b> | <b>12</b>   |
| per boe                                | 3.77                              | 4.08          | (8)         | 3.90                      | 4.09          | (5)         |

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three months and year ended December 31, 2024, increased by \$1.0 million and \$10.5 million, respectively, increases of 4% and 12% compared to the corresponding periods in 2023. The increases in transportation expense are a result of additional physical natural gas transportation to Chicago, additional liquids transportation associated with the new Key Access Pipeline System ("KAPS"), and higher production primarily attributable to the Acquired Assets (see "Production"). Transportation expense per boe fell for both the three months and year ended December 31, 2024 as a result of lower fuel costs when compared to 2023.

Advantage expects 2025 annual transportation expense per boe to be comparable to 2024 and average approximately \$3.95 to \$4.25/boe (see "Corporate Update").

## Operating Income and Operating Netback

|                                                              | Three months ended<br>December 31 |              |               |              |
|--------------------------------------------------------------|-----------------------------------|--------------|---------------|--------------|
|                                                              | 2024                              |              | 2023          |              |
|                                                              | \$000                             | per boe      | \$000         | per boe      |
| Natural gas and liquids sales                                | 163,477                           | 23.14        | 147,137       | 23.39        |
| Realized gains on derivatives                                | 20,580                            | 2.91         | 6,140         | 0.98         |
| Processing and other income                                  | 746                               | 0.11         | 2,484         | 0.39         |
| Royalty expense                                              | (16,983)                          | (2.40)       | (10,302)      | (1.64)       |
| Operating expense                                            | (36,677)                          | (5.19)       | (22,345)      | (3.55)       |
| Transportation expense                                       | (26,632)                          | (3.77)       | (25,664)      | (4.08)       |
| <b>Operating income and operating netback <sup>(1)</sup></b> | <b>104,511</b>                    | <b>14.80</b> | <b>97,450</b> | <b>15.49</b> |

|                                                              | Year ended<br>December 31 |              |                |              |
|--------------------------------------------------------------|---------------------------|--------------|----------------|--------------|
|                                                              | 2024                      |              | 2023           |              |
|                                                              | \$000                     | per boe      | \$000          | per boe      |
| Natural gas and liquids sales                                | 543,295                   | 20.93        | 541,100        | 24.43        |
| Realized gains on derivatives                                | 51,127                    | 1.97         | 35,243         | 1.59         |
| Processing and other income                                  | 5,557                     | 0.21         | 7,627          | 0.34         |
| Net sales of purchased natural gas                           | -                         | -            | (247)          | (0.01)       |
| Royalty expense                                              | (52,471)                  | (2.02)       | (42,432)       | (1.92)       |
| Operating expense                                            | (123,226)                 | (4.75)       | (83,762)       | (3.78)       |
| Transportation expense                                       | (101,139)                 | (3.90)       | (90,603)       | (4.09)       |
| <b>Operating income and operating netback <sup>(1)</sup></b> | <b>323,143</b>            | <b>12.44</b> | <b>366,926</b> | <b>16.56</b> |

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

## Operating Income and Operating Netback (continued)

Operating income and operating netback only include the results of Advantage's natural gas and liquids operations and exclude the results of Entropy. For the three months and year ended December 31, 2024, Advantage's operating income increased 7% and decreased 12%, respectively. Operating income in 2024 was negatively impacted by lower natural gas benchmark prices, leading to reduced operating netbacks. However, this decline was partially offset by increased higher-quality liquids production, particularly from the Acquired Assets, which generate significantly higher operating netbacks (see "Production" and "Commodity Prices and Marketing"). Additionally, lower natural gas prices resulted in higher realized gains on derivatives, further mitigating the negative impact (see "Financial Risk Management"). Liquids production has played a vital role in our business, contributing more than 60% of Advantage's operating income in 2024.

## General and Administrative Expense ("G&A")

| (\$000, except as otherwise indicated)    | Three months ended |              |           | Year ended    |               |           |
|-------------------------------------------|--------------------|--------------|-----------|---------------|---------------|-----------|
|                                           | December 31        |              | %         | December 31   |               | %         |
|                                           | 2024               | 2023         | Change    | 2024          | 2023          | Change    |
| Advantage G&A                             | 7,172              | 6,605        | 9         | 28,498        | 23,972        | 19        |
| Capitalized                               | (1,725)            | (1,486)      | 16        | (6,480)       | (5,325)       | 22        |
| Advantage G&A expense                     | 5,447              | 5,119        | 6         | 22,018        | 18,647        | 18        |
| per boe                                   | 0.77               | 0.81         | (5)       | 0.85          | 0.84          | 1         |
| Entropy G&A expense                       | 3,968              | 2,082        | 91        | 11,066        | 5,990         | 85        |
| <b>General and administrative expense</b> | <b>9,415</b>       | <b>7,201</b> | <b>31</b> | <b>33,084</b> | <b>24,637</b> | <b>34</b> |
| Employees at December 31                  |                    |              |           | 82            | 61            | 34        |

General and administrative expense for the three months and year ended December 31, 2024, increased by \$2.2 million and \$8.4 million, respectively, increases of 31% and 34% compared to the same periods of the prior year. G&A expense increased primarily due to higher staff levels, including additional Advantage employees associated with the Acquired Assets, although G&A expense per boe remained consistent to the prior year, and new hires to support the continued growth of the Entropy business and team.

## Share-based Compensation

| (\$000, except as otherwise indicated)  | Three months ended |              |             | Year ended   |              |             |
|-----------------------------------------|--------------------|--------------|-------------|--------------|--------------|-------------|
|                                         | December 31        |              | %           | December 31  |              | %           |
|                                         | 2024               | 2023         | Change      | 2024         | 2023         | Change      |
| Share-based compensation                | 252                | 2,281        | (89)        | 4,950        | 8,788        | (44)        |
| Capitalized                             | (41)               | (573)        | (93)        | (1,058)      | (2,242)      | (53)        |
| <b>Share-based compensation expense</b> | <b>211</b>         | <b>1,708</b> | <b>(88)</b> | <b>3,892</b> | <b>6,546</b> | <b>(41)</b> |
| per boe                                 | 0.03               | 0.27         | (89)        | 0.15         | 0.30         | (50)        |

The Corporation's long-term compensation plan for employees consists of a balanced approach between a cash-based performance award incentive plan (see "General and Administrative Expense") and a share-based Restricted and Performance Award Incentive Plan. Under the Corporation's restricted and performance award incentive plan, Performance Share Units are granted to service providers of Advantage which cliff vest after three years from grant date. Capitalized share-based compensation is attributable to personnel involved with the development of the Corporation's capital projects.

The Corporation recognized \$0.2 million and \$3.9 million of share-based compensation expense during the three months and year ended December 31, 2024, respectively, and capitalized \$0.0 million and \$1.1 million. For the three months and year ended December 31, 2024, total share-based compensation decreased by 88% and 41%, respectively, compared to the same periods of the prior year, as a result of updating the expected performance multiplier for outstanding awards.

## Finance Expense

| (\$000, except as otherwise indicated) | Three months ended |              |            | Year ended    |               |           |
|----------------------------------------|--------------------|--------------|------------|---------------|---------------|-----------|
|                                        | December 31        |              | %          | December 31   |               | %         |
|                                        | 2024               | 2023         | Change     | 2024          | 2023          | Change    |
| Advantage interest expense             | 14,041             | 7,134        | 97         | 43,925        | 26,576        | 65        |
| per boe                                | 1.99               | 1.13         | 76         | 1.69          | 1.20          | 41        |
| Advantage accretion expense            | 1,216              | 346          | 251        | 4,130         | 1,444         | 186       |
| Advantage finance expense              | 15,257             | 7,480        | 104        | 48,055        | 28,020        | 72        |
| Entropy finance expense                | 1,446              | 550          | 163        | 4,365         | 2,070         | 111       |
| <b>Finance expense</b>                 | <b>16,703</b>      | <b>8,030</b> | <b>108</b> | <b>52,420</b> | <b>30,090</b> | <b>74</b> |

Advantage realized higher interest expense during the three months and year ended December 31, 2024, primarily as a result of increased average outstanding bank indebtedness compared to the same periods in 2023 (see "Bank Indebtedness, Credit Facilities and Working Capital"). Advantage's bank indebtedness interest rates are primarily based on short-term loans plus fees and determined by net debt to the trailing four quarters earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities. Additionally, Advantage incurred \$1.8 million and \$3.9 million, respectively, of interest expense for the three months and year ended December 31, 2024 in connection with the convertible debentures which were issued to finance the Acquisition (see "Convertible Debentures"). Accretion expense increased during the three months and year ended December 31, 2024, largely attributed to additional accretion expense associated with the convertible debentures issued in the second quarter of 2024.

Entropy finance expense increased during the three months and year ended December 31, 2024, due to an increased average outstanding aggregate principal amount of unsecured debentures associated with investors financing of the Glacier Phase 2 project (see "Unsecured Debentures").

## Depreciation and Amortization Expense

| (\$000, except as otherwise indicated)       | Three months ended |               |           | Year ended     |                |           |
|----------------------------------------------|--------------------|---------------|-----------|----------------|----------------|-----------|
|                                              | December 31        |               | %         | December 31    |                | %         |
|                                              | 2024               | 2023          | Change    | 2024           | 2023           | Change    |
| Advantage depreciation                       | 52,428             | 43,543        | 20        | 194,583        | 148,542        | 31        |
| per boe                                      | 7.42               | 6.92          | 7         | 7.50           | 6.71           | 12        |
| Entropy depreciation and amortization        | 884                | 198           | nm        | 4,906          | 355            | nm        |
| <b>Depreciation and amortization expense</b> | <b>53,312</b>      | <b>43,741</b> | <b>22</b> | <b>199,489</b> | <b>148,897</b> | <b>34</b> |

The increase in depreciation and amortization expense during the three months and year ended December 31, 2024, was attributable to increased production (see "Production") accompanied by increased net book value associated with property, plant, and equipment. Depreciation and amortization expense per boe increased compared to the prior periods due to the Acquired Assets having a higher depletion rate per boe typical for liquids-weighted assets as compared to the Corporation's pre-existing natural gas-weighted assets.

## Income Taxes

| (\$000, except as otherwise indicated) | Three months ended |        |        | Year ended  |        |        |
|----------------------------------------|--------------------|--------|--------|-------------|--------|--------|
|                                        | December 31        |        | %      | December 31 |        | %      |
|                                        | 2024               | 2023   | Change | 2024        | 2023   | Change |
| Income tax expense                     | 6,531              | 16,124 | (59)   | 12,805      | 35,635 | (64)   |
| Effective tax rate (%)                 | 28.1               | 23.9   | 4.2    | 38.9        | 23.7   | 15.2   |

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three months and year ended December 31, 2024, the Corporation recognized a deferred income tax expense of \$6.5 million and \$12.8 million, respectively. Income tax expense for the year ended December 31, 2024 is a result of net income before taxes and non-controlling interest of \$32.9 million, combined with non-deductible share-based compensation expense, and valuation allowances applied against Entropy's non-capital losses. As at December 31, 2024, the Corporation had a deferred income tax liability of \$253.2 million.

Advantage expects it will not be subject to cash taxes at current forward commodity prices until at least calendar 2028 due to over \$1.6 billion in tax pools. The estimated tax pools available at December 31, 2024 are as follows:

### (\$ thousands)

|                                                               |                  |
|---------------------------------------------------------------|------------------|
| Canadian development expenses                                 | 262,386          |
| Canadian exploration expenses                                 | 76,156           |
| Canadian oil and gas property expenses                        | 307,697          |
| Non-capital losses                                            | 396,312          |
| Undepreciated capital cost                                    | 405,841          |
| Capital losses                                                | 135,369          |
| Scientific research and experimental development expenditures | 32,506           |
| Other                                                         | 6,421            |
|                                                               | <b>1,622,688</b> |

## Net Income and Comprehensive Income attributable to Advantage shareholders

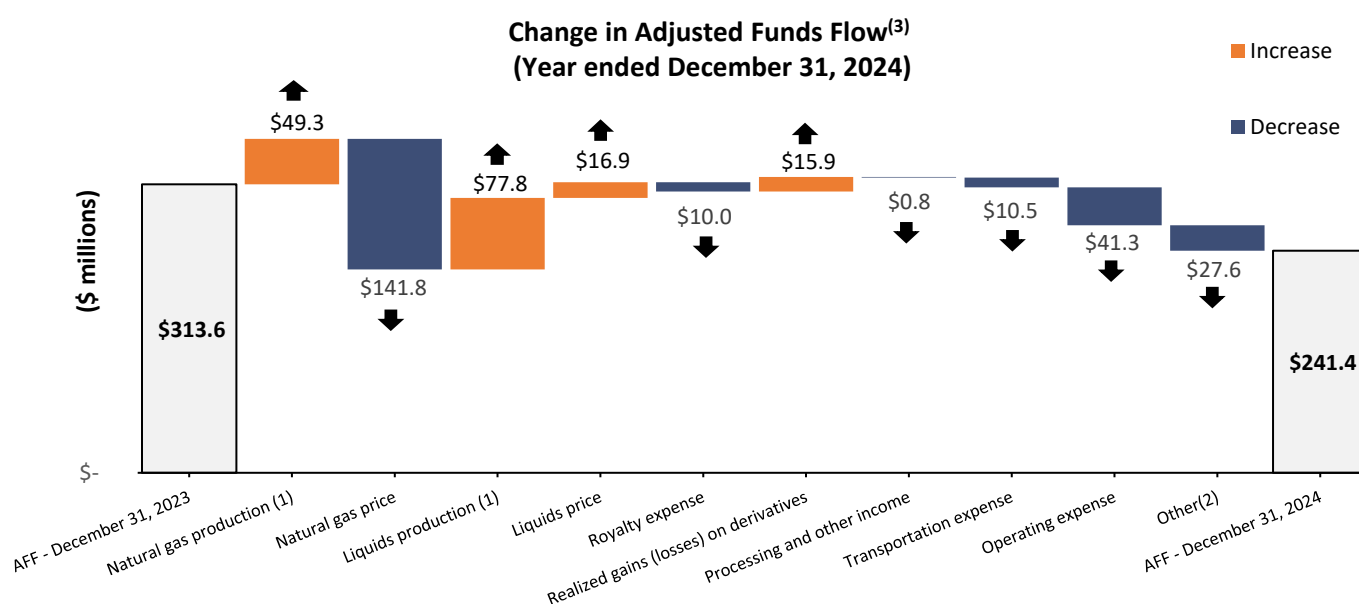
| (\$000, except as otherwise indicated)                                     | Three months ended<br>December 31 |        |             | Year ended<br>December 31 |         |             |
|----------------------------------------------------------------------------|-----------------------------------|--------|-------------|---------------------------|---------|-------------|
|                                                                            | 2024                              | 2023   | %<br>Change | 2024                      | 2023    | %<br>Change |
| Net income and comprehensive income attributable to Advantage shareholders | 17,130                            | 41,026 | (58)        | 21,719                    | 101,597 | (79)        |
| per share - basic                                                          | 0.10                              | 0.25   | (60)        | 0.13                      | 0.61    | (78)        |
| per share - diluted                                                        | 0.10                              | 0.24   | (59)        | 0.13                      | 0.59    | (78)        |

Advantage recognized net income attributable to Advantage shareholders of \$17.1 million and \$21.7 million for the three months and year ended December 31, 2024, respectively. For the three months and year ended December 31, 2024, net income and comprehensive income attributable to Advantage shareholders was lower when compared to 2023 due to the lower natural gas benchmark prices (see "Commodity Prices and Marketing"). However, this decline was partially offset by increased high-quality liquids production, particularly from the Acquired Assets, which generate significantly higher operating netbacks (see "Production" and "Commodity Prices and Marketing"). Additionally, lower natural gas prices resulted in higher gains on derivatives, further mitigating the negative impact (see "Financial Risk Management").

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

| (\$000, except as otherwise indicated)       | Three months ended<br>December 31 |               | Year ended<br>December 31 |                |
|----------------------------------------------|-----------------------------------|---------------|---------------------------|----------------|
|                                              | 2024                              | 2023          | 2024                      | 2023           |
| <b>Cash provided by operating activities</b> | <b>56,350</b>                     | <b>89,048</b> | <b>217,533</b>            | <b>323,345</b> |
| Expenditures on decommissioning liability    | 2,071                             | 2,124         | 3,059                     | 4,043          |
| Changes in non-cash working capital          | 22,968                            | (8,678)       | 20,804                    | (13,818)       |
| <b>Adjusted funds flow<sup>(1)</sup></b>     | <b>81,389</b>                     | <b>82,494</b> | <b>241,396</b>            | <b>313,570</b> |
| per basic share <sup>(1)</sup>               | 0.49                              | 0.50          | 1.47                      | 1.88           |
| per diluted share <sup>(1)</sup>             | 0.48                              | 0.49          | 1.45                      | 1.82           |
| Advantage adjusted funds flow <sup>(1)</sup> | 84,309                            | 84,291        | 250,031                   | 320,169        |
| per boe <sup>(1)</sup>                       | 11.94                             | 13.40         | 9.63                      | 14.46          |
| Entropy adjusted funds flow <sup>(1)</sup>   | (2,920)                           | (1,797)       | (8,635)                   | (6,599)        |

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



<sup>(1)</sup> 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.

<sup>(2)</sup> Other includes net sales of purchased natural gas, G&A expense, interest expense and foreign exchange gain (loss).

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

For the three months and year ended December 31, 2024, Advantage realized cash provided by operating activities of \$56.4 million and \$217.5 million, respectively, decreases of \$32.7 million and \$105.8 million when compared to the same periods of 2023. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$81.4 million and \$241.4 million, decreases of \$1.1 million and \$72.2 million when compared to the same periods of 2023. Adjusted funds flow of \$241.4 million for the year ended December 31, 2024 includes \$250.0 million or \$1.52 per share attributable to Advantage and \$8.6 million of net expenses attributable to Entropy. The decrease in cash provided by operating activities and adjusted funds flow for the three months and year ended December 31, 2024 was largely due to lower natural gas benchmark prices (see "Commodity Prices and Marketing"). However, this decline was partially offset by increased high-quality liquids production, particularly from the Acquired Assets, which generate significantly higher operating netbacks (see

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

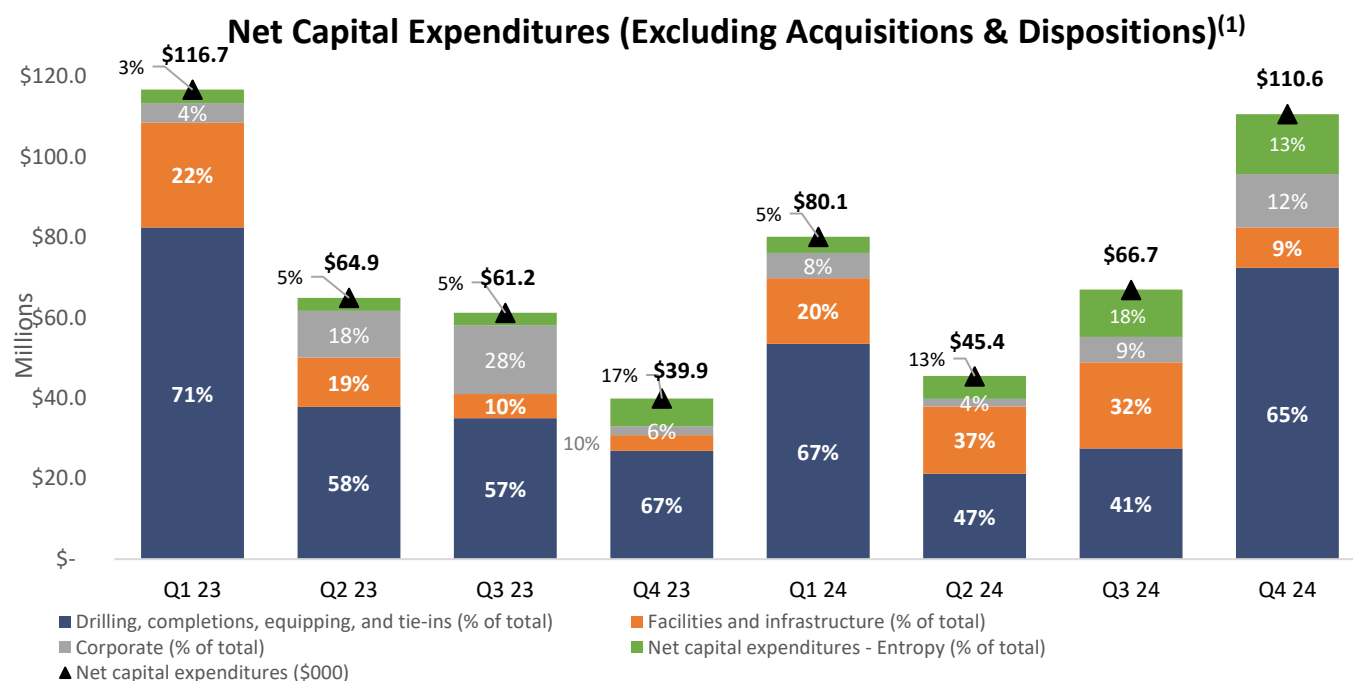
"Production" and "Commodity Prices and Marketing"). Additionally, lower natural gas prices resulted in higher realized gains on derivatives, further mitigating the negative impact (see "Financial Risk Management"). Adjusted funds flow for the three months ended December 31, 2024 has increased significantly as compared to the prior three quarters of 2024 due to the high liquids production from the Acquired Assets as well as improved natural gas benchmark prices.

## Cash Used in Investing Activities and Net Capital Expenditures

| (\$000)                                                   | Three months ended<br>December 31 |               | Year ended<br>December 31 |                |
|-----------------------------------------------------------|-----------------------------------|---------------|---------------------------|----------------|
|                                                           | 2024                              | 2023          | 2024                      | 2023           |
| Drilling, completions, equipping, and tie-ins             | 72,366                            | 26,931        | 174,559                   | 182,157        |
| Facilities and infrastructure                             | 9,986                             | 3,882         | 64,344                    | 48,175         |
| Corporate <sup>(2)</sup>                                  | 13,356                            | 2,138         | 27,841                    | 25,696         |
| <b>Exploration and development expenditures</b>           | <b>95,708</b>                     | <b>32,951</b> | <b>266,744</b>            | <b>256,028</b> |
| Asset acquisitions                                        | -                                 | 124           | 445,274                   | 10,159         |
| Asset dispositions                                        | (11,421)                          | -             | (11,421)                  | -              |
| <b>Net capital expenditures - Advantage<sup>(1)</sup></b> | <b>84,287</b>                     | <b>33,075</b> | <b>700,597</b>            | <b>266,187</b> |
| Carbon capture and storage facilities                     | 14,663                            | 6,397         | 35,179                    | 15,144         |
| Intangible assets                                         | 212                               | 466           | 1,135                     | 1,465          |
| <b>Net capital expenditures - Entropy<sup>(1)</sup></b>   | <b>14,875</b>                     | <b>6,863</b>  | <b>36,314</b>             | <b>16,609</b>  |
| <b>Net capital expenditures<sup>(1)</sup></b>             | <b>99,162</b>                     | <b>39,938</b> | <b>736,911</b>            | <b>282,796</b> |
| Changes in non-cash working capital                       | (27,960)                          | 18,908        | (39,186)                  | (35)           |
| <b>Cash used in investing activities</b>                  | <b>71,202</b>                     | <b>58,846</b> | <b>697,725</b>            | <b>282,761</b> |

(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.



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

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

### Asset acquisition

On June 24, 2024, Advantage closed the Acquisition of the Acquired Assets for cash consideration of \$445.3 million, including closing adjustments. The Acquisition capitalized on a rare opportunity to consolidate a high-quality, liquids-weighted asset that is contiguous with Advantage's existing core areas and complementary to its infrastructure platform.

Following a comprehensive review of the Acquired Assets, we initiated our Charlie Lake drilling program in mid-September. Our preliminary development plan for the Acquired Assets for 2025 and beyond focuses on holding production levels steady at approximately 14,000 boe/d.

### Asset dispositions

In the fourth quarter of 2024, Advantage disposed of select non-core assets, that were purchased through the Acquisition, for net proceeds of \$11.4 million. Subsequent to December 31, 2024, Advantage disposed of non-core assets for net proceeds of \$4.0 million.

### Exploration and development expenditures

Advantage incurred \$95.7 million and \$266.7 million of exploration and development expenditures for the three months and year ended December 31, 2024.

The following table summarizes wells drilled, completed and on production for the year ended December 31, 2024:

|              | Three months ended<br>December 31, 2024 |                          |                              | Year ended<br>December 31, 2024 |                          |                              |
|--------------|-----------------------------------------|--------------------------|------------------------------|---------------------------------|--------------------------|------------------------------|
|              | Drilled<br>Gross (Net)                  | Completed<br>Gross (Net) | On production<br>Gross (Net) | Drilled<br>Gross (Net)          | Completed<br>Gross (Net) | On production<br>Gross (Net) |
| (# of wells) |                                         |                          |                              |                                 |                          |                              |
| Glacier      | 5 (5.0)                                 | 4 (4.0)                  | 6 (5.9)                      | 12 (11.8)                       | 16 (15.8)                | 14 (13.8)                    |
| Valhalla     | 7 (6.9)                                 | 4 (4.0)                  | 2 (2.0)                      | 7 (6.9)                         | 4 (4.0)                  | 2 (2.0)                      |
| Progress     | 2 (0.5)                                 | 4 (1.0)                  | 4 (1.0)                      | 4 (1.0)                         | 4 (1.0)                  | 4 (1.0)                      |
| Wembley      | -                                       | -                        | -                            | 3 (3.0)                         | 3 (3.0)                  | 3 (3.0)                      |
|              | <b>14 (12.4)</b>                        | <b>12 (9.0)</b>          | <b>12 (8.9)</b>              | <b>26 (22.7)</b>                | <b>27 (23.8)</b>         | <b>23 (19.8)</b>             |

#### Glacier

2024 was an active year at our Glacier property with 12 gross (11.8 net) wells drilled, 16 gross (15.8 net) wells completed, and 14 gross (13.8 net) wells placed on production. Raw gas handling capacity at the Glacier Gas Plant remained at a maximum of 425 MMcf/d with a number of optimization projects completed during the year to enhance our low operating cost structure.

Well performance continues to be strong with the wells placed on production during the year achieving average well peak IP30 rates of 14.1 MMcf/d raw natural gas despite being choked back to minimize erosional risks and impacts on existing nearby wells. Of all Alberta Montney gas wells placed on production in 2024, Advantage had 7 of the top 10 gas producing wells, based on IP90 rates.

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

### Valhalla

Activity in Valhalla accelerated following the closing of the acquisition of Charlie Lake assets on June 24, 2024. Activity consisted of 7 gross (6.9 net) wells drilled, 4 gross (4.0 net) wells completed, and 2 gross (2.0 net) wells placed on production. Five of the seven wells drilled were Charlie Lake wells with the remaining two being Montney wells. Subsequent to year end, our first four operated Charlie Lake wells have now been producing beyond thirty days, with liquids rates that exceed historical type curves by over 65%. Average peak IP30 rates for these wells were 1,004 boe/d (1.4 MMcf/d natural gas, 737 bbls/d crude oil and 29 bbls/d NGLs) confirming the high quality and production potential of the acquired Charlie Lake assets.

No new Montney wells were placed on production at Valhalla in 2024 due to the raw gas transportation line to the Glacier Gas Plant being utilized at capacity. However, the two wells drilled in 2023, achieved significant average well IP30 production rates of 1,936 boe/d (7.5 MMcf/d natural gas, 499 bbls/d condensate and 180 bbls/d NGLs). The last six wells placed on production in Valhalla have averaged IP30 production rates of 1,431 boe/d (5.7 MMcf/d natural gas, 354 bbls/d condensate and 121 bbls/d NGLs) despite the wells being choked back to minimize erosional risks. Strong well results support Management's view that our Valhalla Montney asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan.

### Progress

At Progress, site clearing work and pile installation work was completed on our 75 MMcf/d Progress 4-21 gas plant with the remaining construction deferred to 2026, with no impact to forecasted production. Excess processing capacity acquired in 2024 will be utilized instead, while reducing 2025 capital and increasing free cash flow by approximately \$35 million.

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

### Wembley

At Wembley, completion activity on a three well pad took place during the second quarter of 2024 with the wells placed on production in the third quarter of 2024. 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. Advantage plans to resume drilling in Wembley with a 3 well pad spudding in the first quarter of 2025 with production expected later in the second quarter of 2025.

### Conroy

In the fourth quarter of 2024, Advantage acquired an idled 100 MMcf/d sour gas plant and pipeline network in close proximity to the Corporation's existing Conroy asset, establishing a direct path to highly efficient future development. The asset was acquired in exchange for the assumption of the associated decommissioning liability.

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

### **Entropy net capital expenditures**

Net capital expenditures incurred by Entropy are funded through the issuance of unsecured debentures to investors that have provided Entropy access to \$500 million in committed capital, of which \$95 million has been drawn as at December 31, 2024.

Entropy invested \$14.9 million and \$36.3 million in net capital expenditures during the three months and year ended December 31, 2024, respectively. Entropy's expenditures were mainly attributable to front-end engineering and design cost and procurement of equipment required for construction of the Glacier Phase 2 project.

On June 21, 2024, the CCUS ITC which was included in Bill C-59 received royal assent. Advantage and Entropy have incurred carbon capture expenditures dating back to January 1, 2022, which once approved by the federal government, should be eligible expenditures under the CCUS ITC program. The Corporation has completed the application process for our existing carbon capture projects Glacier Phase 1A and Glacier Phase 1B, including submission to Natural Resources Canada and is pending approval.

## Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for office leases, natural gas processing costs associated with third-party facilities, and transportation costs for delivery of our natural gas and liquids (crude oil, condensate and NGLs) production to sales points. Transportation commitments are required to ensure our production is delivered to sales markets and Advantage actively manages our portfolio in conjunction with our future development plans ensuring we are properly diversified to multiple markets. Of our total transportation commitments, \$276 million, or 41% is required for delivery of natural gas and liquids production to Alberta markets. Advantage has proactively committed to \$396 million in additional transportation to diversify natural gas production to the Dawn, Empress, Emerson and Chicago markets, with the objective of reducing price volatility and achieving higher operating netbacks (see "Transportation Expense"). Contractual obligations comprise those liabilities to third-parties incurred for the purpose of financing Advantage's business and development.

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

| (\$ millions)                          | Payments due by period |              |              |              |              |              |              |
|----------------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                        | Total                  | 2025         | 2026         | 2027         | 2028         | 2029         | Beyond       |
| Building operating cost <sup>(1)</sup> | 2.2                    | 0.8          | 0.8          | 0.6          | -            | -            | -            |
| Processing                             | 188.5                  | 24.8         | 28.1         | 28.1         | 28.2         | 26.4         | 52.9         |
| Transportation                         | 671.8                  | 102.3        | 87.0         | 76.6         | 47.7         | 38.5         | 319.7        |
| <b>Total commitments</b>               | <b>862.5</b>           | <b>127.9</b> | <b>115.9</b> | <b>105.3</b> | <b>75.9</b>  | <b>64.9</b>  | <b>372.6</b> |
| Performance Awards                     | 5.0                    | 1.2          | 1.4          | 2.4          | -            | -            | -            |
| Lease liability                        | 3.2                    | 1.2          | 1.1          | 0.7          | 0.1          | 0.1          | -            |
| Financing liability                    | 137.0                  | 13.0         | 13.0         | 13.0         | 13.1         | 13.0         | 71.9         |
| Bank indebtedness <sup>(2)</sup>       |                        |              |              |              |              |              |              |
| - principal                            | 475.0                  | -            | 475.0        | -            | -            | -            | -            |
| - interest                             | 47.0                   | 31.3         | 15.7         | -            | -            | -            | -            |
| Unsecured debentures <sup>(3)</sup>    |                        |              |              |              |              |              |              |
| - principal                            | 101.0                  | -            | -            | -            | -            | -            | 101.0        |
| - interest                             | 71.0                   | 8.1          | 8.1          | 8.1          | 8.1          | 8.1          | 30.5         |
| Convertible debentures <sup>(4)</sup>  |                        |              |              |              |              |              |              |
| - principal                            | 143.8                  | -            | -            | -            | -            | 143.8        | -            |
| - interest                             | 32.4                   | 7.2          | 7.2          | 7.2          | 7.2          | 3.6          | -            |
| <b>Total contractual obligations</b>   | <b>1,015.3</b>         | <b>62.0</b>  | <b>521.4</b> | <b>31.4</b>  | <b>28.5</b>  | <b>168.6</b> | <b>203.4</b> |
| <b>Total future payments</b>           | <b>1,877.8</b>         | <b>189.9</b> | <b>637.3</b> | <b>136.7</b> | <b>104.4</b> | <b>233.5</b> | <b>576.0</b> |

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

<sup>(2)</sup> As at December 31, 2024 the Corporation's bank indebtedness was governed by the Credit Facilities, which have a two-year term with a syndicate of financial institutions. The Credit Facilities are revolving and extendible for a further 364-day period upon an annual review and at the option of the syndicate. If not extended, the Credit Facilities will mature with any outstanding principal payable at the end of the two-year term (see "Bank Indebtedness, Credit Facilities and Working Capital").

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

<sup>(4)</sup> The convertible debentures have a maturity date of June 30, 2029 and a coupon rate of 5.0% payable semi-annually.

## Liquidity and Capital Resources

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

| (\$000, except as otherwise indicated)                               | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|----------------------------------------------------------------------|---------------------------------|---------------------------------|
| Bank indebtedness                                                    | 470,424                         | 212,854                         |
| Aggregate principal balance of convertible debentures <sup>(1)</sup> | 143,750                         | -                               |
| Aggregate principal balance of unsecured debentures <sup>(2)</sup>   | 101,000                         | 40,807                          |
| Working capital deficit (surplus) <sup>(3)</sup>                     | 3,275                           | (18,651)                        |
| <b>Net debt<sup>(3)</sup></b>                                        | <b>718,449</b>                  | <b>235,010</b>                  |
| Shares outstanding                                                   | 166,931,440                     | 162,225,180                     |
| Shares closing market price (\$/share)                               | 9.86                            | 8.53                            |
| <b>Market capitalization</b>                                         | <b>1,645,944</b>                | <b>1,383,781</b>                |
| <b>Total capitalization</b>                                          | <b>2,364,393</b>                | <b>1,618,791</b>                |

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

<sup>(2)</sup> The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The aggregate principal balance of unsecured debenture bears an annual interest rate of 8%, which can be paid-in-kind (subject to certain limitations) or cash, at the discretion of Entropy (see "Unsecured Debentures").

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

As at December 31, 2024, net debt for Advantage was \$625.6 million and Entropy was \$92.8 million. Advantage's net debt increased in 2024 due to the funding of the Acquisition completed in the second quarter with a combination of bank indebtedness from the upsized Credit Facilities and the issuance of the convertible debentures. Advantage has a \$650 million Credit Facility of which \$169.5 million or 26% was available after deducting outstanding letters of credit of \$5.5 million (see "Bank Indebtedness, Credit Facilities and Working Capital"). Debt to adjusted funds flow ratio excluding Entropy was 2.5, and if the Corporation included \$71.7 million of adjusted funds flow from the Acquired Assets for the prior six months, the ratio would have been 1.9. Advantage has set a net debt target of \$450 million towards the end of 2025 which would equate to a debt to adjusted funds flow ratio of approximately 1.0. The Corporation's Credit Facilities and adjusted funds flow were utilized to fund Advantage's exploration and development expenditures of \$266.7 million and repurchase and cancel 2.5 million common shares for \$21.7 million (see "Shareholders' Equity"). Entropy's net capital expenditures of \$36.3 million were separately funded through the issuance of unsecured debentures to investors that have provided Entropy access to an aggregate of up to \$500 million in committed capital, of which \$95.0 million has been drawn as at December 31, 2024. Unsecured debentures issued by Entropy are non-recourse to Advantage.

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

## **Bank Indebtedness, Credit Facilities and Working Capital**

As at December 31, 2024, Advantage had bank indebtedness outstanding of \$470.4 million, an increase of \$257.6 million since December 31, 2023. On June 24, 2024, the borrowing base of the Credit Facilities was increased to \$650 million from \$350 million. The increased borrowing base was partially used to finance the acquisition of certain Charlie Lake and Montney assets (see "Corporate Update"). Since completing the Acquisition at the end of the second quarter, Advantage's bank indebtedness has decreased \$17.6 million, with a continued focus on debt reduction into 2025. Advantage's Credit Facilities are collateralized by a \$2 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") as determined by the Alberta Energy Regulator ("AER") is not less than 2.0 which was met at December 31, 2024. The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based on their independent commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. The Credit Facilities comprise a \$60 million extendible revolving operating loan facility from one financial institution and a \$590 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a term of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2026 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of \$5.5 million outstanding at December 31, 2024 (December 31, 2023 - \$12.9 million). The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at December 31, 2024 and December 31, 2023.

The Corporation had a working capital deficit of \$3.3 million as at December 31, 2024, a reduction as compared to a surplus of \$18.7 million at December 31, 2023, largely due to the increased in trade and other accrued liabilities connected to the timing of net capital expenditures and related payments, offset by increased trade and other receivables related to higher liquids sales volumes. 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.

### **Convertible Debentures**

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

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

## **Convertible Debentures (continued)**

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

The fair value of the Debentures at December 31, 2024 was \$147.3 million using quoted market prices on the Toronto Stock Exchange ("TSX").

## **Unsecured Debentures**

The Corporation's subsidiary Entropy is a party to two investment agreements with investors who provided capital commitments of \$300 million and \$200 million, respectively (the "Investment Agreements"). In connection with the Investment Agreements, Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the Investment Agreements, Entropy and the investors have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10.00 per share and \$12.75 per share, respectively, subject to adjustment in certain circumstances. The investors have the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an Initial Public Offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor's pro rata share of the fair market value of Entropy. Each unsecured debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. As at December 31, 2024, Entropy's unsecured debentures have an outstanding aggregate principal balance of \$101.0 million (including paid-in-kind interest) (December 31, 2023 - \$40.8 million).

During 2024, Entropy issued unsecured debentures for gross proceeds of \$55.0 million (December 31, 2023 - \$15.0 million) and incurred \$3.5 million of issuance costs (December 31, 2023 - \$1.2 million) associated with investors financing of the Glacier Phase 2 project. Subsequent to year-end, Entropy issued unsecured debentures for gross proceeds of \$42.0 million.

For the year ended December 31, 2024, Entropy incurred interest of \$5.2 million (December 31, 2023 - \$2.5 million), of which none was paid in cash (December 31, 2023 - \$1.7 million), and \$5.2 million was paid-in-kind (December 31, 2023 - \$0.8 million).

## **Other Liabilities**

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner in the Corporation's Glacier Gas Plant, with a term due to expire in 2035. The volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%. As at December 31, 2024, the financing liability was \$88.1 million (December 31, 2023 - \$92.9 million) and for the year ended December 31, 2024, the Corporation made cash payments of \$13.1 million (December 31, 2023 - \$12.8 million) under the agreement.

As at December 31, 2024, Advantage had a decommissioning liability of \$126.8 million (December 31, 2023 – \$62.2 million) for the future abandonment and reclamation of the Corporation's natural gas and liquids properties. The decommissioning liability 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 \$168.7 million (December 31, 2023 – \$82.6 million), with 37% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2024, was \$3.1 million (year ended December 31, 2023 – \$4.0 million). Advantage continues to maintain an industry leading LMR of 20.0, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

## **Non-controlling interest ("NCI")**

Advantage owns 92% of the common shares of Entropy and therefore consolidates 100% of Entropy while recognizing a non-controlling interest in shareholders' equity that represents the carrying value of the 8% common shares held by outside interests. If the investors in Entropy were to invest their total \$500 million capital commitment for unsecured debentures and the unsecured debentures were subsequently exchanged for common shares, Advantage would own approximately 35% of the common shares (see "Unsecured Debentures").

For the year ended December 31, 2024, the net loss and comprehensive loss attributed to non-controlling interest was \$1.6 million (December 31, 2023 - \$1.3 million).

## **Shareholders' Equity**

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

On May 9, 2024, the TSX approved the Corporation renewing its normal course issuer bid ("NCIB"). Pursuant to the NCIB, Advantage may purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 13,835,841 common shares of the Corporation. The NCIB commenced on May 14, 2024 and will terminate on May 13, 2025. For the year ended December 31, 2024, the Corporation purchased 2.5 million common shares for cancellation at an average price of \$8.86 per common share for a total of \$21.7 million. Since initiating our buyback program in April 2022, Advantage has repurchased 37.8 million common shares for a total of \$379.9 million to December 31, 2024. On June 21, 2024, Bill C-59 received royal assent, which, among other things, provides for a 2% tax on the net value of equity repurchased by certain public corporations and other publicly listed entities. At December 31, 2024, the Corporation had no liability with respect to the new 2% tax, as the value of the Corporation's equity issuances exceeded the value of the equity that has been repurchased.

As at December 31, 2024, a total of 2.3 million Performance Share Units were outstanding under the Corporation's Restricted and Performance Award Incentive Plan, which represents 1.4% of Advantage's total outstanding common shares.

As at March 4, 2025, Advantage had 166.7 million common shares outstanding.

## Annual Financial Information

The following is a summary of select financial information of the Corporation for the years indicated.

| <b>(\$000, except as otherwise indicated)</b>     | <b>Year ended<br/>December 31, 2024</b> | <b>Year ended<br/>December 31, 2023</b> | <b>Year ended<br/>December 31, 2022</b> |
|---------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| Total revenues                                    | 553,073                                 | 535,187                                 | 781,262                                 |
| Net income attributable to Advantage shareholders | 21,719                                  | 101,597                                 | 338,667                                 |
| per share - basic                                 | 0.13                                    | 0.61                                    | 1.81                                    |
| per share - diluted                               | 0.13                                    | 0.59                                    | 1.75                                    |
| Total assets                                      | 2,945,958                               | 2,299,028                               | 2,216,958                               |
| Total non-current liabilities                     | 1,061,293                               | 599,932                                 | 514,447                                 |

## Quarterly Performance

|                                                    | 2024     |          |           |          | 2023     |          |          |          |
|----------------------------------------------------|----------|----------|-----------|----------|----------|----------|----------|----------|
|                                                    | Q4       | Q3       | Q2        | Q1       | Q4       | Q3       | Q2       | Q1       |
| (\$000, except as otherwise indicated)             |          |          |           |          |          |          |          |          |
| <b>Financial Statement Highlights</b>              |          |          |           |          |          |          |          |          |
| Natural gas and liquids sales                      | 163,477  | 139,840  | 104,081   | 135,897  | 147,137  | 140,724  | 107,240  | 145,999  |
| Net income and comprehensive income <sup>(3)</sup> | 17,130   | (6,490)  | (12,084)  | 23,163   | 41,026   | 28,314   | 2,538    | 29,719   |
| per basic share <sup>(2)</sup>                     | 0.10     | (0.04)   | (0.07)    | 0.14     | 0.25     | 0.17     | 0.02     | 0.18     |
| per diluted share <sup>(3)</sup>                   | 0.10     | (0.04)   | (0.07)    | 0.14     | 0.24     | 0.16     | 0.01     | 0.17     |
| Basic weighted average shares (000)                | 166,974  | 166,972  | 161,362   | 160,444  | 163,939  | 167,702  | 167,268  | 167,311  |
| Diluted weighted average shares (000)              | 169,785  | 166,972  | 161,362   | 164,129  | 168,441  | 172,182  | 171,815  | 174,328  |
| Cash provided by operating activities              | 56,350   | 46,719   | 47,090    | 67,374   | 89,048   | 90,376   | 37,966   | 105,955  |
| Cash provided by (used in) financing activities    | 22,789   | (1,097)  | 447,502   | 11,883   | (52,120) | (3,562)  | 43,778   | (58,359) |
| Cash used in investing activities                  | (71,202) | (52,765) | (494,331) | (79,427) | (58,846) | (49,886) | (88,439) | (85,590) |
| <b>Other Financial Highlights</b>                  |          |          |           |          |          |          |          |          |
| Adjusted funds flow <sup>(1)</sup>                 | 81,389   | 52,260   | 42,354    | 65,393   | 82,494   | 81,862   | 52,381   | 96,833   |
| per basic share <sup>(1)(2)</sup>                  | 0.49     | 0.31     | 0.26      | 0.41     | 0.50     | 0.49     | 0.31     | 0.58     |
| per diluted share <sup>(1)(2)(3)</sup>             | 0.48     | 0.31     | 0.26      | 0.40     | 0.49     | 0.48     | 0.30     | 0.56     |
| Net capital expenditures <sup>(1)</sup>            | 99,162   | 66,727   | 490,888   | 80,134   | 39,938   | 61,234   | 64,924   | 116,700  |
| Free cash flow <sup>(1)</sup>                      | (29,194) | (14,668) | (3,059)   | (14,741) | 42,680   | 30,663   | (12,543) | (19,867) |
| Bank indebtedness                                  | 470,424  | 469,551  | 488,008   | 238,578  | 212,854  | 226,127  | 226,442  | 167,260  |
| Net debt <sup>(1)</sup>                            | 718,449  | 693,959  | 674,665   | 279,963  | 235,010  | 236,311  | 238,493  | 204,709  |
| <b>Operating Highlights</b>                        |          |          |           |          |          |          |          |          |
| Production                                         |          |          |           |          |          |          |          |          |
| Crude oil (bbls/d)                                 | 7,527    | 8,144    | 3,033     | 2,630    | 3,254    | 3,035    | 2,801    | 1,731    |
| Condensate (bbls/d)                                | 979      | 1,055    | 1,200     | 1,231    | 1,264    | 1,368    | 871      | 1,157    |
| NGLs (bbls/d)                                      | 3,379    | 3,621    | 2,908     | 2,591    | 3,345    | 3,174    | 2,683    | 2,877    |
| Total liquids production (bbls/d)                  | 11,885   | 12,820   | 7,141     | 6,452    | 7,863    | 7,577    | 6,355    | 5,765    |
| Natural gas (mcf/d)                                | 389,331  | 369,306  | 355,563   | 357,410  | 363,124  | 339,709  | 272,919  | 314,273  |
| Total production (boe/d)                           | 76,774   | 74,371   | 66,401    | 66,020   | 68,384   | 64,195   | 51,842   | 58,144   |
| Average prices (including realized derivatives)    |          |          |           |          |          |          |          |          |
| Natural gas (\$/mcf)                               | 2.46     | 1.65     | 1.82      | 2.86     | 2.84     | 2.96     | 2.81     | 4.42     |
| Liquids (\$/bbl)                                   | 87.84    | 85.05    | 84.58     | 80.21    | 81.55    | 77.91    | 75.36    | 77.77    |
| <b>Operating Netback (\$/boe)</b>                  |          |          |           |          |          |          |          |          |
| Natural gas and liquids sales                      | 23.14    | 20.44    | 17.22     | 22.62    | 23.39    | 23.83    | 22.73    | 27.90    |
| Realized gains (losses) on derivatives             | 2.91     | 2.44     | 1.59      | 0.70     | 0.98     | 1.02     | 1.07     | 3.44     |
| Processing and other income                        | 0.11     | 0.15     | 0.32      | 0.30     | 0.39     | 0.39     | 0.22     | 0.35     |
| Net sales of purchased natural gas                 | -        | -        | -         | -        | -        | -        | (0.05)   | -        |
| Royalty expense                                    | (2.40)   | (2.83)   | (1.16)    | (1.52)   | (1.64)   | (1.55)   | (1.33)   | (3.19)   |
| Operating expense                                  | (5.19)   | (5.46)   | (4.09)    | (4.08)   | (3.55)   | (3.80)   | (4.44)   | (3.44)   |
| Transportation expense                             | (3.77)   | (3.88)   | (3.73)    | (4.23)   | (4.08)   | (3.70)   | (4.34)   | (4.33)   |
| Operating netback <sup>(1)</sup>                   | 14.80    | 10.86    | 10.15     | 13.79    | 15.49    | 16.19    | 13.86    | 20.73    |

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

<sup>(2)</sup> Based on basic weighted average shares outstanding.

<sup>(3)</sup> Net income and comprehensive income attributable to Advantage Shareholders.

The table above highlights the Corporation's performance for the fourth quarter of 2024 and for the preceding seven quarters. In 2023 the Corporation achieved a steady increase in production over the year rising from 58,144 boe/d in the first quarter to 68,384 boe/d in the fourth quarter. Sales and adjusted funds flow were lower in the second quarter of 2023 due to lower natural gas and liquids benchmark prices and a 17-day turnaround at the Glacier Gas Plant in May 2023. Sales and adjusted funds improved for the remainder of 2023 with increased production although natural gas benchmark prices remained weak.

## **Quarterly Performance (continued)**

In the first and second quarter of 2024 natural gas and liquids sales and adjusted funds flow declined with lower natural gas prices from an unseasonably mild winter, strong natural gas supply and resulting high North American storage levels. The Corporation increased its sales and adjusted funds flow in the third and fourth quarter of 2024 primarily due to increased production and cash flow provided from the Acquired Assets, although significantly weak natural gas prices persisted and had an adverse offsetting impact. The particularly low natural gas pricing environment during the second and third quarter resulted in the recognition of net losses. Cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections.

## **Critical Accounting Estimates**

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

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

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

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

## **Critical Accounting Estimates (continued)**

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

In determining the fair value of Entropy's unsecured debentures, judgments are required related to the choice of a pricing model, the estimation of share price, share price volatility, timing and probability of an IPO, credit spread, interest rates, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Corporation's future operating results.

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

## **Changes in Accounting Policies**

The Corporation has adopted the following accounting policies during the year ended December 31, 2024.

### *Amendments to IAS 1, Presentation of Financial Statements*

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

## **Accounting Pronouncements not yet Adopted**

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Consolidated Financial Statements for the year ended December 31, 2024.

## **Environmental Reporting**

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

## **Evaluation of Disclosure Controls and Procedures**

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

Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's DC&P as at December 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the DC&P are effective as of the end of the year, in all material respects.

## **Evaluation of Internal Controls over Financial Reporting**

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

Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the ICFR are effective as of the end of the year, in all material respects.

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during either the quarter or year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our ICFR.

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

## Specified Financial Measures

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

Previously, the Corporation's calculations for operating income, operating netback and adjusted funds flow per boe included the results of Entropy. Effective December 31, 2024, the Corporation revised the composition of operating income, operating netback and adjusted funds flow per boe to exclude the results of Entropy, to allow users to assess the performance of the Corporation's natural gas and liquids operations. Comparative figures have been restated to reflect these classifications.

## 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 December 31 |         |        |           |         |         |
|-------------------------------------------|--------------------------------|---------|--------|-----------|---------|---------|
|                                           | 2024                           |         |        | 2023      |         |         |
|                                           | Advantage                      | Entropy | Total  | Advantage | Entropy | Total   |
| Cash provided by operating activities     | 62,487                         | (6,137) | 56,350 | 91,239    | (2,191) | 89,048  |
| Expenditures on decommissioning liability | 2,071                          | -       | 2,071  | 2,124     | -       | 2,124   |
| Changes in non-cash working capital       | 19,751                         | 3,217   | 22,968 | (9,072)   | 394     | (8,678) |
| Adjusted funds flow                       | 84,309                         | (2,920) | 81,389 | 84,291    | (1,797) | 82,494  |

| (\$000)                                   | Year ended December 31 |          |         |           |         |          |
|-------------------------------------------|------------------------|----------|---------|-----------|---------|----------|
|                                           | 2024                   |          |         | 2023      |         |          |
|                                           | Advantage              | Entropy  | Total   | Advantage | Entropy | Total    |
| Cash provided by operating activities     | 228,965                | (11,432) | 217,533 | 331,064   | (7,719) | 323,345  |
| Expenditures on decommissioning liability | 3,059                  | -        | 3,059   | 4,043     | -       | 4,043    |
| Changes in non-cash working capital       | 18,007                 | 2,797    | 20,804  | (14,938)  | 1,120   | (13,818) |
| Adjusted funds flow                       | 250,031                | (8,635)  | 241,396 | 320,169   | (6,599) | 313,570  |

## Specified Financial Measures (continued)

### Non-GAAP Financial Measures (continued)

#### 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 December 31 |         |        |           |         |          |
|-------------------------------------|--------------------------------|---------|--------|-----------|---------|----------|
|                                     | 2024                           |         |        | 2023      |         |          |
|                                     | Advantage                      | Entropy | Total  | Advantage | Entropy | Total    |
| Cash used in investing activities   | 60,083                         | 11,119  | 71,202 | 52,684    | 6,162   | 58,846   |
| Changes in non-cash working capital | 24,204                         | 3,756   | 27,960 | (19,609)  | 701     | (18,908) |
| Net capital expenditures            | 84,287                         | 14,875  | 99,162 | 33,075    | 6,863   | 39,938   |

| (\$000)                             | Year ended December 31 |         |         |           |         |         |
|-------------------------------------|------------------------|---------|---------|-----------|---------|---------|
|                                     | 2024                   |         |         | 2023      |         |         |
|                                     | Advantage              | Entropy | Total   | Advantage | Entropy | Total   |
| Cash used in investing activities   | 667,101                | 30,624  | 697,725 | 268,872   | 13,889  | 282,761 |
| Changes in non-cash working capital | 33,496                 | 5,690   | 39,186  | (2,685)   | 2,720   | 35      |
| Net capital expenditures            | 700,597                | 36,314  | 736,911 | 266,187   | 16,609  | 282,796 |

#### Free Cash Flow

Previously, the Corporation's calculations for free cash flow included the impacts of acquisitions and dispositions. Effective December 31, 2024, the Corporation revised the composition of free cash flow to exclude the impacts of acquisitions and dispositions. Comparative figures have been restated to reflect these classifications.

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

| (\$000)                                   | Three months ended December 31 |          |          |           |         |          |
|-------------------------------------------|--------------------------------|----------|----------|-----------|---------|----------|
|                                           | 2024                           |          |          | 2023      |         |          |
|                                           | Advantage                      | Entropy  | Total    | Advantage | Entropy | Total    |
| Cash provided by operating activities     | 62,487                         | (6,137)  | 56,350   | 91,239    | (2,191) | 89,048   |
| Cash used in investing activities         | (60,083)                       | (11,119) | (71,202) | (52,684)  | (6,162) | (58,846) |
| Changes in non-cash working capital       | (4,453)                        | (539)    | (4,992)  | 10,537    | (307)   | 10,230   |
| Expenditures on decommissioning liability | 2,071                          | -        | 2,071    | 2,124     | -       | 2,124    |
| Acquisitions                              | -                              | -        | -        | 124       | -       | 124      |
| Dispositions                              | (11,421)                       | -        | (11,421) | -         | -       | -        |
| Free cash flow - surplus (deficit)        | (11,399)                       | (17,795) | (29,194) | 51,340    | (8,660) | 42,680   |

## Specified Financial Measures (continued)

### Non-GAAP Financial Measures (continued)

| (\$000)                                   | Year ended December 31 |          |           |           |          |           |
|-------------------------------------------|------------------------|----------|-----------|-----------|----------|-----------|
|                                           | 2024                   |          |           | 2023      |          |           |
|                                           | Advantage              | Entropy  | Total     | Advantage | Entropy  | Total     |
| Cash provided by operating activities     | 228,965                | (11,432) | 217,533   | 331,064   | (7,719)  | 323,345   |
| Cash used in investing activities         | (667,101)              | (30,624) | (697,725) | (268,872) | (13,889) | (282,761) |
| Changes in non-cash working capital       | (15,489)               | (2,893)  | (18,382)  | (12,253)  | (1,600)  | (13,853)  |
| Expenditures on decommissioning liability | 3,059                  | -        | 3,059     | 4,043     | -        | 4,043     |
| Acquisitions                              | 445,274                | -        | 445,274   | 10,159    | -        | 10,159    |
| Dispositions                              | (11,421)               | -        | (11,421)  | -         | -        | -         |
| Free cash flow - surplus (deficit)        | (16,713)               | (44,949) | (61,662)  | 64,141    | (23,208) | 40,933    |

### Operating Income

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

| (\$000)                            | Three months ended |          | Year ended  |          |
|------------------------------------|--------------------|----------|-------------|----------|
|                                    | December 31        |          | December 31 |          |
|                                    | 2024               | 2023     | 2024        | 2023     |
| Natural gas and liquids sales      | 163,477            | 147,137  | 543,295     | 541,100  |
| Realized gains on derivatives      | 20,580             | 6,140    | 51,127      | 35,243   |
| Processing and other income        | 746                | 2,484    | 5,557       | 7,627    |
| Net sales of purchased natural gas | -                  | -        | -           | (247)    |
| Royalty expense                    | (16,983)           | (10,302) | (52,471)    | (42,432) |
| Operating expense                  | (36,677)           | (22,345) | (123,226)   | (83,762) |
| Transportation expense             | (26,632)           | (25,664) | (101,139)   | (90,603) |
| Operating Income                   | 104,511            | 97,450   | 323,143     | 366,926  |

### Non-GAAP Ratios

#### Adjusted Funds Flow per Share

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

| (\$000, except as otherwise indicated)            | Three months ended |         | Year ended  |         |
|---------------------------------------------------|--------------------|---------|-------------|---------|
|                                                   | December 31        |         | December 31 |         |
|                                                   | 2024               | 2023    | 2024        | 2023    |
| Adjusted funds flow                               | 81,389             | 82,494  | 241,396     | 313,570 |
| Basic weighted average shares outstanding (000)   | 166,974            | 163,939 | 163,955     | 166,553 |
| Diluted weighted average shares outstanding (000) | 169,785            | 168,441 | 166,821     | 171,833 |
| Adjusted funds flow per basic share (\$/share)    | 0.49               | 0.50    | 1.47        | 1.88    |
| Adjusted funds flow per diluted share (\$/share)  | 0.48               | 0.49    | 1.45        | 1.82    |

## Specified Financial Measures (continued)

### Non-GAAP Ratios

#### Adjusted Funds Flow per BOE

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

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |           | Year ended<br>December 31 |            |
|----------------------------------------|-----------------------------------|-----------|---------------------------|------------|
|                                        | 2024                              | 2023      | 2024                      | 2023       |
| Advantage adjusted funds flow          | 84,309                            | 84,291    | 250,031                   | 320,169    |
| Total production (boe/d)               | 76,774                            | 68,384    | 70,918                    | 60,678     |
| Days in period                         | 92                                | 92        | 366                       | 365        |
| Total production (boe)                 | 7,063,208                         | 6,291,328 | 25,955,805                | 22,147,470 |
| Adjusted funds flow per BOE (\$/boe)   | 11.94                             | 13.40     | 9.63                      | 14.46      |

#### Operating netback

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

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |           | Year ended<br>December 31 |            |
|----------------------------------------|-----------------------------------|-----------|---------------------------|------------|
|                                        | 2024                              | 2023      | 2024                      | 2023       |
| Operating income                       | 104,511                           | 97,450    | 323,143                   | 366,926    |
| Total production (boe/d)               | 76,774                            | 68,384    | 70,918                    | 60,678     |
| Days in period                         | 92                                | 92        | 366                       | 365        |
| Total production (boe)                 | 7,063,208                         | 6,291,328 | 25,955,805                | 22,147,470 |
| Operating netback (\$/boe)             | 14.80                             | 15.49     | 12.44                     | 16.56      |

## Specified Financial Measures (continued)

### Non-GAAP Ratios (continued)

#### Debt to Adjusted Funds Flow Ratio

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

| (\$000, except as otherwise indicated)      | Year ended<br>December 31 |          |
|---------------------------------------------|---------------------------|----------|
|                                             | 2024                      | 2023     |
| Bank indebtedness                           | 470,424                   | 212,854  |
| Convertible debentures                      | 143,750                   | -        |
| Advantage working capital deficit (surplus) | 11,377                    | (16,912) |
| Advantage net debt                          | 625,551                   | 195,942  |
| Advantage adjusted funds flow               | 250,031                   | 320,169  |
| Debt to adjusted funds flow                 | 2.5                       | 0.6      |

### Capital Management Measures

#### Working capital

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

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

| (\$000, except as otherwise indicated)   | December 31<br>2024 | December 31<br>2023 |
|------------------------------------------|---------------------|---------------------|
|                                          |                     |                     |
| Cash and cash equivalents                | 20,146              | 19,261              |
| Trade and other receivables              | 83,188              | 53,378              |
| Prepaid expenses and deposits            | 10,000              | 16,618              |
| Trade and other accrued liabilities      | (116,609)           | (70,606)            |
| <b>Working capital (deficit) surplus</b> | <b>(3,275)</b>      | <b>18,651</b>       |

## Specified Financial Measures (continued)

### Capital Management Measures (continued)

#### Net Debt

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

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

|                                        | December 31    | December 31    |
|----------------------------------------|----------------|----------------|
| (\$000, except as otherwise indicated) | 2024           | 2023           |
| Bank indebtedness                      | 470,424        | 212,854        |
| Convertible debentures                 | 143,750        | -              |
| Unsecured debentures                   | 101,000        | 40,807         |
| Working capital deficit (surplus)      | 3,275          | (18,651)       |
| <b>Net debt</b>                        | <b>718,449</b> | <b>235,010</b> |

### Supplementary Financial Measures

#### Average Realized Prices

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

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

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

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

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

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

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

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

## **Specified Financial Measures (continued)**

### **Supplementary Financial Measures (continued)**

#### Dollars per BOE figures

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

- Cash finance expense per boe
- Depreciation and amortization expense per boe
- Finance expense per boe
- G&A expense per boe
- Natural gas and liquids sales per boe
- Net sales of purchased natural gas per boe
- Operating expense per boe
- Processing and other income per boe
- Realized gains (losses) on derivatives per boe
- Royalty expense per boe
- Share-based compensation expense per boe
- Transportation expense per boe

#### Finding and Development Costs ("F&D")

F&D cost is calculated based on adding net capital expenditures excluding acquisitions and dispositions, and the net change in future development capital ("FDC"), divided by the change in reserves within the applicable reserves category for the year from the McDaniel 2024 Reserves Report and Sproule 2023 Reserves Report.

#### Finding, Development & Acquisition Costs ("FD&A")

FD&A cost is calculated based on adding net capital and the net change in future development capital ("FDC"), divided by the change in reserves within the applicable reserves category for the year from the McDaniel 2024 Reserves Report and Sproule 2023 Reserves Report.

#### Recycle Ratio

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

## Oil and Gas information

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.

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

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2024 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2024 expected drilling and completion activities.

References to natural gas, crude oil and condensate and NGLs production in the MD&A refer to conventional natural gas and shale gas, light crude oil and medium crude oil and natural gas liquids, respectively, product types as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

## Abbreviations

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

|                       |                                                                                                                                  |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------|
| bbl(s)                | - barrel(s)                                                                                                                      |
| bbls/d                | - barrels per day                                                                                                                |
| boe                   | - barrels of oil equivalent (6 Mcf = 1 bbl)                                                                                      |
| boe/d                 | - barrels of oil equivalent per day                                                                                              |
| GJ                    | - gigajoules                                                                                                                     |
| Mcf                   | - thousand cubic feet                                                                                                            |
| Mcf/d                 | - thousand cubic feet per day                                                                                                    |
| Mcfe                  | - thousand cubic feet equivalent (1 bbl = 6 Mcf)                                                                                 |
| Mcfe/d                | - thousand cubic feet equivalent per day                                                                                         |
| MMbtu                 | - million British thermal units                                                                                                  |
| MMbtu/d               | - million British thermal units per day                                                                                          |
| MMcf                  | - million cubic feet                                                                                                             |
| MMcf/d                | - million cubic feet per day                                                                                                     |
| Crude oil             | - Light Crude Oil and Medium Crude Oil as defined in NI 51-101                                                                   |
| "NGLs" & "condensate" | - Natural Gas Liquids as defined in NI 51-101                                                                                    |
| Natural gas           | - Conventional Natural Gas and Shale Gas as defined in NI 51-101                                                                 |
| Liquids               | - Total of crude oil, condensate and NGLs                                                                                        |
| AECO                  | - a notional market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted |
| MSW                   | - price for mixed sweet crude oil at Edmonton, Alberta                                                                           |
| NGTL                  | - NOVA Gas Transmission Ltd.                                                                                                     |
| WTI                   | - West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade                      |
| CCS                   | - carbon capture and storage                                                                                                     |
| CCUS                  | - carbon capture utilization and storage                                                                                         |
| nm                    | - not meaningful information                                                                                                     |

## Forward-Looking Information and Other Advisories

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

In particular, forward-looking statements in this MD&A include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the focus of the Corporation's 2025 capital program; the Corporation's expectations that all free cash flow from operations will be allocated to debt reduction and that a portion of the proceeds from potential non-core asset divestitures may be used to buy back shares; the Corporation's net debt target; Advantage's focus on growing adjusted funds flow per share; the Corporation's 2025 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; the anticipated costs of the Glacier Phase 2 capture equipment, compression, transportation and storage wells and the installation of the modular power plant providing power and heat for the Glacier Gas Plant and Entropy's CCS equipment; the Corporation's anticipated total annual production in 2025; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the Corporation's forecasted 2025 natural gas market exposure including the anticipated effective production rate; the anticipated timing of when the construction of the Corporation's gas plant at Progress will resume and the expectation that it will not impact forecasted production; the Corporation's development plan for the Acquired Assets in 2025 and the anticipated average daily production rate thereof; the Corporation's commodity risk management program and financial risk management program and the anticipated benefits to be derived therefrom; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2028; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; Advantage's ability to actively manage its portfolio in conjunction with its future development plans and its ability to ensure that the Corporation is properly diversified into multiple markets; that the Corporation will monitor its capital structure and make adjustments according to market conditions; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the terms of the Corporation's Credit Facilities, including the timing of the next review of the Credit Facilities and the Corporation's expectations regarding the extension of the Credit Facilities at each annual review; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due and the means for satisfying such future obligations; the terms of Entropy's unsecured debentures; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; Entropy's business plan and the anticipated benefits to be derived therefrom; the statements under "critical accounting estimates" in this MD&A; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to: the risk that (i) negotiations between the U.S. and Canadian governments are not successful and one or both of such governments implements announced tariffs, increases the rate or scope of announced tariffs, or imposes new tariffs on the import of goods from one country to the other,

including on oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed by the U.S. on other countries and responses thereto could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Corporation; risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; delays in timing of facility installation; risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations; delays in obtaining stakeholder and regulatory approvals; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the risk that the Credit Facilities may not be renewed at each annual review; competition from other producers; the risk that the Corporation's actual 2025 financial and operating results may not be consistent with its 2025 guidance; the risk that the Corporation's 2025 annual average production may be less than anticipated the risk that the Corporation may not have sufficient financial resources to acquire its common shares pursuant to an NCIB in the future; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; that Entropy's existing planned capital projects may not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; the risk that the Corporation's commodity risk management program and financial risk management program may not achieve the results anticipated; the risk that the Corporation may be subject to cash taxes prior to calendar 2028; the risk that the costs of the Glacier Phase 2 capture equipment, compression, transportation and storage wells and the installation of the modular power plant providing power and heat for the Glacier Gas Plant and Entropy's CCS equipment may be greater than anticipated; the risk that the construction of the Corporation's gas plant at Progress may not resume when anticipated, or at all, and that it may have a greater impact on production than anticipated; the risk that the operating results of the Acquired Assets in 2025 may not meet expectations; the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that Advantage may not actively manage its portfolio in conjunction with its future development plans or ensure that the Corporation is properly diversified into multiple markets; the risk that the Corporation may not allocate all of its free cash flow in 2025 towards the Corporation's share buyback program; the risk that the Corporation may not satisfy all of its liabilities and commitments and meet its future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than anticipated; the risk that Entropy's future projects may have a greater capital cost than anticipated; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at [www.sedarplus.com](http://www.sedarplus.com) and [www.advantageog.com](http://www.advantageog.com). Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: that the tariffs that have been publicly

announced by the U.S. and Canadian governments (but which are not yet in effect) do not come into effect, but that if such tariffs do come into effect, the potential impact of such tariffs, and that other than the tariffs that have been announced, neither the U.S. nor Canada (i) increases the rate or scope of such tariffs, or imposes new tariffs, on the import of goods from one country to the other, including on oil and natural gas, and/or (ii) imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas current and future prices of oil and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Entropy's planned capital projects will lead to completed CCS projects; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop its crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the Corporation will have sufficient financial resources to purchase its shares under NCIBs in the future; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

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

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

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: the Corporation's expectations that all free cash flow will be allocated to its share buyback program; the Corporation's net debt target; the Corporation's 2025 capital 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 anticipated costs of the Glacier Phase 2 capture equipment, compression, transportation and storage wells and the installation of the modular power plant providing power and heat for the Glacier Gas Plant and Entropy's CCS equipment; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas

Plant Phase 1 CCS project; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2028; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

### **Additional Information**

Additional information relating to Advantage can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and the Corporation's website at [www.advantageog.com](http://www.advantageog.com). Such other information includes the annual information form, the management information circular, press releases, material change reports, material contracts and agreements, and other financial reports. The annual information form will be of particular interest for current and potential shareholders as it discusses a variety of subject matter including the nature of the business, description of our operations, general and recent business developments, risk factors, reserves data and other oil and gas information.

March 4, 2025



## **CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023



## Independent auditor's report

To the Shareholders of Advantage Energy Ltd.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advantage Energy Ltd. and its subsidiaries (together, the Corporation) as at December 31, 2024 and 2023 and January 1, 2023, and its financial performance and its cash flows for the years ended December 31, 2024 and 2023 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023 and January 1, 2023;
- the consolidated statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2024 and 2023;
- the consolidated statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada T2P 5L3  
T.: +1 403 509 7500, F.: +1 403 781 1825, Fax to mail: ca\_calgary\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### **The impact of proved and probable reserves on property, plant and equipment within natural gas and liquids properties**

*Refer to note 3 – Material accounting policies, note 4 – Material accounting judgments, estimates and assumptions, and note 11 – Natural gas and liquids properties to the consolidated financial statements*

The Corporation has \$2,677 million of net property, plant and equipment within natural gas and liquids properties as at December 31, 2024. The related depreciation expense was \$197 million for the year then ended. Property, plant and equipment is depreciated using the units-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Proved plus probable reserves are determined using key assumptions related to the estimated future cost of developing and extracting those reserves, recovery factors and future natural gas and liquids prices. The proved and probable reserves are estimated by the Corporation's independent qualified reserve evaluator (management's expert).

We considered this a key audit matter due to (i) the judgments by management, including the use of management's expert, when estimating the

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the total proved plus probable reserves, which included the following:
  - The work of management's expert was used in performing the procedures to evaluate the reasonableness of the proved and probable reserves used to determine depreciation expense. As a basis for using this work, the competence, capabilities and objectivity of management's expert were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's expert, tests of the data used by management's expert and an evaluation of their findings.
  - Evaluated the reasonableness of key assumptions used by management in developing the estimates, including:
    - o Estimates of recovery factors, future costs of developing and extracting proved and probable reserves by considering the past performance of the Corporation and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable; and



| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>proved plus probable reserves and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions used by management.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>o Future natural gas and liquids prices by comparing forecasts with other reputable third-party industry forecasts.</li> <li>• Recalculated the units-of-production rates used to calculate depreciation expense.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Valuation of property, plant and equipment acquired in a business combination</b></p> <p><i>Refer to note 3 – Material accounting policies, note 4 – Material accounting judgments, estimates and assumptions, and note 10 – Business combination to the consolidated financial statements.</i></p> <p>On June 24, 2024, the Corporation completed the acquisition of certain Charlie Lake and Montney assets for cash consideration of \$445 million, including closing adjustments. This transaction was accounted for as a business combination using the acquisition method, which requires that the identifiable assets acquired, and liabilities assumed be measured at their fair values at the acquisition date. The fair value of property, plant and equipment acquired and recorded within natural gas and liquids properties was \$467 million (the acquired PP&amp;E Assets).</p> <p>Management determined the fair value of the acquired PP&amp;E Assets based on a discounted cashflow model, calculating the present value of the expected future after-tax cash flows derived from the acquired oil and gas reserves.</p> <p>The assumptions and estimates used to determine the fair value of the acquired PP&amp;E Assets require significant judgment by management and include estimates of oil and gas reserves acquired, production forecasts, production costs, forecast benchmark commodity</p> | <p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• The work of management's internal expert was used in performing the procedures to evaluate the reasonableness of the estimates of oil and gas reserves acquired. As a basis for using this work, the competence, capabilities and objectivity of management's internal expert were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's internal expert, and an evaluation of their findings.</li> <li>• Tested how management determined the fair value of the acquired PP&amp;E Assets, which included the following: <ul style="list-style-type: none"> <li>– Evaluated the appropriateness of the method used by management in determining the fair value.</li> <li>– Tested the underlying data used in the discounted cash flow model.</li> <li>– Evaluated the reasonableness of the assumptions used in determining the underlying fair value by: <ul style="list-style-type: none"> <li>o Considering whether production forecasts, timing and amounts of future development costs and production costs were consistent with the actual</li> </ul> </li> </ul> </li> </ul> |



| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>prices, timing and amounts of future development costs and discount rate. The acquired oil and gas reserves are prepared by the Corporation's internal qualified reserve engineers (management's internal expert).</p> <p>We considered this a key audit matter due to the significant judgment applied by management, including the use of management's internal expert, when determining the fair value of the acquired PP&amp;E Assets, including development of assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the assumptions used by management. The audit effort also involved the use of professionals with specialized skill and knowledge in the field of valuation.</p> | <p>performance of the acquired PP&amp;E Assets, and whether they were consistent with evidence obtained in other areas of the audit; and</p> <ul style="list-style-type: none"><li>o Comparing forecast benchmark commodity prices to third-party industry forecasts.</li><li>• Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rate</li></ul> |

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## Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Simon Baker.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Calgary, Alberta  
March 4, 2025

# **Advantage Energy Ltd.**

## **Consolidated Statements of Financial Position**

(Expressed in thousands of Canadian dollars)

|                                                                   | Notes | December 31<br>2024 | December 31<br>2023 | January 1<br>2023 |
|-------------------------------------------------------------------|-------|---------------------|---------------------|-------------------|
| <b>ASSETS</b>                                                     |       |                     |                     | (Note 3)          |
| <b>Current assets</b>                                             |       |                     |                     |                   |
| Cash and cash equivalents                                         | 6     | 20,146              | 19,261              | 48,940            |
| Trade and other receivables                                       | 7     | 83,188              | 53,378              | 92,816            |
| Prepaid expenses and deposits                                     |       | 10,000              | 16,618              | 14,613            |
| Derivative asset                                                  | 12    | 50,358              | 31,200              | 22,357            |
| Total current assets                                              |       | <b>163,692</b>      | <b>120,457</b>      | <b>178,726</b>    |
| <b>Non-current assets</b>                                         |       |                     |                     |                   |
| Derivative asset                                                  | 12    | 78,631              | 80,048              | 93,993            |
| Inventory                                                         | 8     | 3,537               | 3,958               | -                 |
| Intangible assets                                                 | 9     | 5,246               | 5,363               | 4,011             |
| Natural gas and liquids properties                                | 11    | 2,694,852           | 2,089,202           | 1,940,228         |
| Total non-current assets                                          |       | <b>2,782,266</b>    | <b>2,178,571</b>    | <b>2,038,232</b>  |
| Total assets                                                      |       | <b>2,945,958</b>    | <b>2,299,028</b>    | <b>2,216,958</b>  |
| <b>LIABILITIES</b>                                                |       |                     |                     |                   |
| <b>Current liabilities</b>                                        |       |                     |                     |                   |
| Trade and other accrued liabilities                               |       | 116,609             | 70,606              | 84,805            |
| Derivative liability                                              | 12    | 8,900               | 964                 | 2,197             |
| Financing liability                                               | 15    | 5,256               | 4,813               | 4,269             |
| Unsecured debentures                                              | 16    | 105,026             | 46,263              | 25,444            |
| Provisions and other liabilities                                  | 17    | 14,724              | 20,054              | 21,118            |
| Total current liabilities                                         |       | <b>250,515</b>      | <b>142,700</b>      | <b>137,833</b>    |
| <b>Non-current liabilities</b>                                    |       |                     |                     |                   |
| Derivative liability                                              | 12    | 4,624               | -                   | -                 |
| Bank indebtedness                                                 | 13    | 470,424             | 212,854             | 177,200           |
| Convertible debentures                                            | 14    | 122,583             | -                   | -                 |
| Financing liability                                               | 15    | 82,827              | 88,084              | 90,436            |
| Provisions and other liabilities                                  | 17    | 127,669             | 61,937              | 45,389            |
| Deferred income tax liability                                     | 18    | 253,166             | 237,057             | 201,422           |
| Total non-current liabilities                                     |       | <b>1,061,293</b>    | <b>599,932</b>      | <b>514,447</b>    |
| Total liabilities                                                 |       | <b>1,311,808</b>    | <b>742,632</b>      | <b>652,280</b>    |
| <b>SHAREHOLDERS' EQUITY</b>                                       |       |                     |                     |                   |
| Share capital                                                     | 19    | 1,989,239           | 1,952,241           | 2,105,013         |
| Convertible debentures                                            | 14    | 12,859              | -                   | -                 |
| Contributed surplus                                               |       | 194,819             | 187,034             | 142,817           |
| Deficit                                                           |       | (561,261)           | (582,980)           | (684,577)         |
| Total shareholders' equity attributable to Advantage shareholders |       | <b>1,635,656</b>    | <b>1,556,295</b>    | <b>1,563,253</b>  |
| Non-controlling interest                                          | 20    | (1,506)             | 101                 | 1,425             |
| Total shareholders' equity                                        |       | <b>1,634,150</b>    | <b>1,556,396</b>    | <b>1,564,678</b>  |
| Total liabilities and shareholders' equity                        |       | <b>2,945,958</b>    | <b>2,299,028</b>    | <b>2,216,958</b>  |

### **Commitments (note 28)**

See accompanying Notes to the Consolidated Financial Statements

On behalf of the Board of Directors of Advantage Energy Ltd.:

Deirdre M. Choate, Director: (signed) "Deirdre M. Choate"      Michael Belenkie, Director: (signed) "Michael Belenkie"

## Advantage Energy Ltd.

### Consolidated Statements of Comprehensive Income

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

|                                                                            |         | Year ended<br>December 31 |                |
|----------------------------------------------------------------------------|---------|---------------------------|----------------|
|                                                                            | Notes   | 2024                      | 2023           |
| <b>Revenues</b>                                                            |         |                           |                |
| Natural gas and liquids sales                                              | 23      | 543,295                   | 541,100        |
| Sales of purchased natural gas                                             | 23      | -                         | 3,124          |
| Processing and other income                                                | 23      | 6,807                     | 7,627          |
| Royalty expense                                                            |         | (52,471)                  | (42,432)       |
| Natural gas and liquids revenue                                            |         | 497,631                   | 509,419        |
| Gains on derivatives                                                       | 12      | 55,442                    | 25,768         |
| <b>Total revenues</b>                                                      |         | <b>553,073</b>            | <b>535,187</b> |
| <b>Expenses</b>                                                            |         |                           |                |
| Operating expense                                                          |         | 125,747                   | 84,453         |
| Transportation expense                                                     |         | 101,139                   | 90,603         |
| Natural gas purchases                                                      | 23      | -                         | 3,371          |
| General and administrative expense                                         | 24      | 33,084                    | 24,637         |
| Transaction costs                                                          | 10      | 3,276                     | -              |
| Share-based compensation expense                                           | 21      | 3,892                     | 6,546          |
| Depreciation and amortization expense                                      | 9,11    | 199,489                   | 148,897        |
| Finance expense                                                            | 25      | 52,420                    | 30,090         |
| Foreign exchange (gain) loss                                               |         | (439)                     | 459            |
| Other expenses                                                             | 8,11,17 | 1,548                     | 10,223         |
| <b>Total expenses</b>                                                      |         | <b>520,156</b>            | <b>399,279</b> |
| <b>Income before taxes and non-controlling interest</b>                    |         | <b>32,917</b>             | <b>135,908</b> |
| Income tax expense                                                         | 18      | (12,805)                  | (35,635)       |
| <b>Net income and comprehensive income before non-controlling interest</b> |         | <b>20,112</b>             | <b>100,273</b> |
| <b>Net income (loss) and comprehensive income (loss) attributable to:</b>  |         |                           |                |
| Advantage shareholders                                                     |         | 21,719                    | 101,597        |
| Non-controlling interest                                                   | 20      | (1,607)                   | (1,324)        |
|                                                                            |         | <b>20,112</b>             | <b>100,273</b> |
| <b>Net income per share attributable to Advantage shareholders</b>         |         |                           |                |
| Basic                                                                      | 22      | 0.13                      | 0.61           |
| Diluted                                                                    | 22      | 0.13                      | 0.59           |

See accompanying Notes to the Consolidated Financial Statements

## Advantage Energy Ltd.

### Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian dollars)

|                                                 | Share<br>capital | Convertible<br>debentures | Contributed<br>surplus | Deficit          | Non-<br>controlling<br>interest | Total<br>shareholders'<br>equity |
|-------------------------------------------------|------------------|---------------------------|------------------------|------------------|---------------------------------|----------------------------------|
| Balance, December 31, 2023                      | 1,952,241        | -                         | 187,034                | (582,980)        | 101                             | 1,556,396                        |
| Net income and comprehensive income             | -                | -                         | -                      | 21,719           | (1,607)                         | 20,112                           |
| Share-based compensation (note 21(b))           | -                | -                         | 4,950                  | -                | -                               | 4,950                            |
| Issuance of convertible debentures (note 14)    | -                | 12,859                    | -                      | -                | -                               | 12,859                           |
| Settlement of Performance Share Units (note 19) | 3,891            | -                         | (4,962)                | -                | -                               | (1,071)                          |
| Common shares issued (note 19)                  | 62,643           | -                         | -                      | -                | -                               | 62,643                           |
| Common shares repurchased (note 19)             | (29,536)         | -                         | 7,797                  | -                | -                               | (21,739)                         |
| <b>Balance, December 31, 2024</b>               | <b>1,989,239</b> | <b>12,859</b>             | <b>194,819</b>         | <b>(561,261)</b> | <b>(1,506)</b>                  | <b>1,634,150</b>                 |

|                                                 | Share<br>capital | Contributed<br>surplus | Deficit          | Non-<br>controlling<br>interest | Total<br>shareholders'<br>equity |
|-------------------------------------------------|------------------|------------------------|------------------|---------------------------------|----------------------------------|
| Balance, December 31, 2022                      | 2,105,013        | 142,817                | (684,577)        | 1,425                           | 1,564,678                        |
| Net income and comprehensive income             | -                | -                      | 101,597          | (1,324)                         | 100,273                          |
| Share-based compensation (note 21(b))           | -                | 8,788                  | -                | -                               | 8,788                            |
| Settlement of Performance Share Units (note 19) | 6,509            | (6,509)                | -                | -                               | -                                |
| Common shares repurchased (note 19)             | (159,281)        | 41,938                 | -                | -                               | (117,343)                        |
| <b>Balance, December 31, 2023</b>               | <b>1,952,241</b> | <b>187,034</b>         | <b>(582,980)</b> | <b>101</b>                      | <b>1,556,396</b>                 |

See accompanying Notes to the Consolidated Financial Statements

**Advantage Energy Ltd.**  
**Consolidated Statements of Cash Flows**  
(Expressed in thousands of Canadian dollars)

|                                                        |               | <b>Year ended<br/>December 31</b> |                  |
|--------------------------------------------------------|---------------|-----------------------------------|------------------|
|                                                        | <b>Notes</b>  | <b>2024</b>                       | <b>2023</b>      |
| <b>Operating Activities</b>                            |               |                                   |                  |
| Income before taxes and non-controlling interest       |               | 32,917                            | 135,908          |
| Add (deduct) items not requiring cash:                 |               |                                   |                  |
| Unrealized losses (gains) on derivatives               | 12            | (4,315)                           | 9,475            |
| Share-based compensation expense                       | 21            | 3,892                             | 6,546            |
| Depreciation and amortization expense                  | 9,11          | 199,489                           | 148,897          |
| Accretion expense                                      | 14, 16, 17(c) | 5,389                             | 2,017            |
| Interest paid-in-kind                                  | 16            | 3,547                             | 504              |
| Other expenses                                         | 8,11,17       | 1,548                             | 10,223           |
| Settlement of Performance Share Units                  | 21(a)         | (1,071)                           | -                |
| Expenditures on decommissioning liability              | 17(c)         | (3,059)                           | (4,043)          |
| Changes in non-cash working capital                    | 27            | (20,804)                          | 13,818           |
| <b>Cash provided by operating activities</b>           |               | <b>217,533</b>                    | <b>323,345</b>   |
| <b>Financing Activities</b>                            |               |                                   |                  |
| Common shares repurchased                              | 19            | (21,739)                          | (117,343)        |
| Common shares issued                                   | 19            | 62,105                            | -                |
| Increase in bank indebtedness                          | 13            | 257,570                           | 35,654           |
| Net proceeds from convertible debentures               | 14            | 137,268                           | -                |
| Net proceeds from unsecured debentures                 | 16            | 51,472                            | 13,833           |
| Net proceeds from financing liability                  | 15            | -                                 | 2,500            |
| Principal repayment of lease liability                 | 17(b)         | (785)                             | (599)            |
| Principal repayment of financing liability             | 15            | (4,814)                           | (4,308)          |
| <b>Cash provided by (used in) financing activities</b> |               | <b>481,077</b>                    | <b>(70,263)</b>  |
| <b>Investing Activities</b>                            |               |                                   |                  |
| Property, plant and equipment additions                | 11            | (301,923)                         | (272,150)        |
| Exploration and evaluation assets additions            | 11            | -                                 | (9,181)          |
| Intangible assets additions                            | 9             | (1,135)                           | (1,465)          |
| Business combination                                   | 10            | (445,274)                         | -                |
| Asset dispositions                                     | 11            | 11,421                            | -                |
| Changes in non-cash working capital                    | 27            | 39,186                            | 35               |
| <b>Cash used in investing activities</b>               |               | <b>(697,725)</b>                  | <b>(282,761)</b> |
| Increase (decrease) in cash and cash equivalents       |               | 885                               | (29,679)         |
| Cash and cash equivalents, beginning of year           |               | 19,261                            | 48,940           |
| <b>Cash and cash equivalents, end of year</b>          |               | <b>20,146</b>                     | <b>19,261</b>    |
| Cash interest paid                                     |               | 43,324                            | 27,766           |
| Cash income taxes paid                                 |               | -                                 | -                |

See accompanying Notes to the Consolidated Financial Statements

## **Advantage Energy Ltd.**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2024 and 2023

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

#### **1. Business and structure of Advantage Energy Ltd.**

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

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "IFRS").

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 4, 2025, the date the Board of Directors approved the statements.

##### **(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in note 3.

The methods used to measure fair values of derivative instruments are discussed in note 12.

##### **(c) Functional and presentation currency**

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

### 3. Material accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and notes.

#### (a) Cash and cash equivalents

Cash consists of balances held with banks, and other short-term highly liquid investments with original maturities of three months or less from inception.

#### (b) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy, a private Canadian corporation of which Advantage owns 92% of the outstanding common shares (note 20). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

##### (ii) Joint arrangements

A portion of the Corporation's natural gas and liquids activities involve joint operations. The consolidated financial statements include the Corporation's share of these joint operations and a proportionate share of the relevant revenue and costs.

#### (c) Financial instruments

Financial instruments are classified as amortized cost, fair value through other comprehensive income or fair value through profit and loss. The Corporation's classification of each identified financial instrument is provided below:

| Financial Instrument                        | Measurement Category               |
|---------------------------------------------|------------------------------------|
| Cash and cash equivalents                   | Amortized cost                     |
| Trade and other receivables                 | Amortized cost                     |
| Derivative assets and liabilities           | Fair value through profit and loss |
| Trade and other accrued liabilities         | Amortized cost                     |
| Bank indebtedness                           | Amortized cost                     |
| Lease liability                             | Amortized cost                     |
| Financing liability                         | Amortized cost                     |
| Convertible debentures                      | Amortized cost                     |
| Unsecured debentures                        | Amortized cost                     |
| Unsecured debentures – derivative liability | Fair value through profit and loss |

### 3. Material accounting policies (continued)

#### (c) Financial instruments (continued)

##### Derivative assets and liabilities

Derivative instruments executed by the Corporation to manage risk are classified as fair value through profit and loss and are recorded on the Consolidated Statement of Financial Position as derivatives assets and liabilities measured at fair value. Gains and losses on derivative instruments are recorded as gains and losses on derivatives in the Consolidated Statement of Comprehensive Income in the period they occur. Gains and losses on derivative instruments are comprised of cash receipts and payments associated with periodic settlement that occurs over the life of the instrument, and non-cash gains and losses associated with changes in the fair values of the instruments, which are remeasured at each reporting date.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics, risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit and loss. The Corporation's unsecured debentures include an embedded derivative due to the equity conversion features. The unsecured debentures are initially measured at fair value and are separated out into their liability and derivative components. The unsecured debentures liability is recorded on the Statement of Financial Position at amortized cost. The unsecured debentures derivative liability, which represents the equity conversion feature, is separately valued with changes in fair value recognized through profit and loss.

##### Convertible debentures

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

##### Impairment of Financial Assets

For the Corporation's financial assets measured at amortized cost, loss allowances are determined based on the expected credit loss ("ECL") over the asset's lifetime. ECLs are a probability-weighted estimate of credit losses, considering possible default events over the expected life of a financial asset. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive) over the life of the financial asset, discounted at the effective interest rate specific to the financial asset.

### 3. Material accounting policies (continued)

#### (d) Property, plant and equipment and exploration and evaluation assets

##### (i) Recognition and measurement

###### Exploration and evaluation costs

Pre-license costs are recognized in the Consolidated Statement of Comprehensive Income as incurred.

All exploratory costs incurred subsequent to acquiring the right to explore for natural gas and liquids before technical feasibility and commercial viability of the area have been established are capitalized. Such costs can typically include costs to acquire land rights, geological and geophysical costs and exploration well costs.

Exploration and evaluation costs are not depreciated and are accumulated by well, field or exploration area and carried forward pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource from exploration and evaluation assets is considered to be generally determinable when proved or probable reserves are determined to exist. Upon determination of proved or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment, net of any impairment loss.

Management reviews and assesses exploration and evaluation assets to determine if technical feasibility and commercial viability exist. If Management decides not to continue the exploration and evaluation activity, the unrecoverable costs are charged to exploration and evaluation expense in the period in which the determination occurs.

###### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include lease acquisition, drilling and completion, production facilities, decommissioning costs, geological and geophysical costs and directly attributable general and administrative costs and share-based compensation related to development and production activities, net of any government incentive programs.

##### (ii) Subsequent costs

Costs incurred subsequent to development and production that are significant are recognized as natural gas and liquids properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in comprehensive income as incurred. Such capitalized natural gas and liquids costs generally represent costs incurred in developing proved and probable reserves and producing or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized in accordance with our policies. The costs of the day-to-day servicing of property, plant and equipment are recognized in comprehensive income as incurred.

### 3. Material accounting policies (continued)

#### (d) Property, plant and equipment and exploration and evaluation assets (continued)

##### (iii) Depreciation

A portion of the Corporation's net carrying value of property, plant, and equipment is depreciated using the units-of-production ("UOP") method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

Significant natural gas processing plants and carbon capture equipment included in property, plant, and equipment are depreciated using the straight-line method over the expected useful life. The estimated useful lives for such depreciable assets are as follows:

|                               |          |
|-------------------------------|----------|
| Natural gas processing plants | 50 years |
| Carbon capture equipment      | 50 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date by Management.

##### (iv) Dispositions

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposition with the carrying amount of property, plant and equipment and are recognized net within processing and other income (expenses) in the Consolidated Statement of Comprehensive Income.

##### (v) Impairment

The carrying amounts of the Corporation's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment testing of property, plant and equipment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are allocated to CGUs or groups of CGUs for the purposes of assessing such assets for impairment.

The recoverable amount of an asset or a CGU is the greater of its "value-in-use" and its "fair value less costs of disposition". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less costs of disposition is assessed utilizing market valuation based on an arm's length transaction between active participants. In the absence of any such transactions, fair value less costs of disposition is estimated by discounting the expected after-tax cash flows of the CGUs at an after-tax discount rate that reflects the risk of the properties in the CGUs. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a

### **3. Material accounting policies (continued)**

#### **(d) Property, plant and equipment and exploration and evaluation assets (continued)**

prospective buyer of the CGU would be entitled. The carrying value of the CGUs is reduced by the deferred tax liability associated with its property, plant and equipment.

Impairment losses on property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Income as an impairment expense and are separately disclosed. An impairment of exploration and evaluation assets is recognized as exploration and evaluation expense in the Consolidated Statement of Comprehensive Income.

#### **(e) Business combinations**

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

#### **(f) Decommissioning liability**

A decommissioning liability is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Decommissioning liabilities are determined by discounting the expected future cash flows at a risk-free rate.

#### **(g) Long-term compensation**

##### **(i) Share-based compensation**

The Corporation accounts for share-based compensation based on the fair value of rights granted under its share-based compensation plans.

Advantage's Restricted and Performance Award Incentive Plan provides share-based compensation to service providers. Awards granted under this plan, Performance Share Units, may be settled in cash or in shares. As the Corporation generally intends to settle the awards in shares, the plan is considered and accounted for as "equity-settled". Compensation costs related to Performance Share Units are recognized as share-based compensation expense over the vesting period at fair value.

Entropy's Stock Option Plan ("Stock Option Plan") authorizes the Board of Directors of Entropy to grant Stock Options to service providers, including directors, officers, employees and consultants of Advantage. Compensation costs related to the Stock Options are recognized as share-based compensation expense over the vesting period at fair value.

As compensation expense is recognized, contributed surplus is recorded until the Performance Share Units vest or Stock Options are exercised, at which time the appropriate common shares are then issued to the service providers and the contributed surplus is transferred to share capital.

### **3. Material accounting policies (continued)**

#### **(g) Long-term compensation**

##### **(ii) Performance Awards**

Advantage's Performance Award Incentive Plan allows the Corporation to grant cash Performance Awards to service providers. The present value of payments to be made under the Performance Award Incentive Plan are recognized as general and administrative expense as the corresponding service is provided by the service provider. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount, as a result of past service provided by the service provider, and the obligation can be estimated reliably.

##### **(iii) Deferred Share Units ("DSU")**

DSUs are issued to Directors of Advantage. Each DSU entitles participants to receive cash equal to the price of the Corporation's common shares, multiplied by the number of DSUs held. All DSUs vest immediately upon grant and become payable upon retirement of the Director from the Board. A liability for the expected cash payments is accrued over the life of the DSU using the fair value method based on the Corporation's share market price at the end of each reporting period, with the associated expense charged to general and administrative expense.

#### **(h) Revenue**

The Corporation's revenue is comprised of natural gas and liquids sales to customers under fixed and variable volume contracts, sales of purchased natural gas, and processing income earned under fixed fee contracts.

Natural gas and liquids sales and sales of purchased natural gas are recognized at a point in time when the Corporation has satisfied its performance obligations which occurs upon the delivery of production to the customer. The transaction price used to determine revenue from natural gas and liquids sales is the market price, net of any marketing and fractionation fees for sales as specified in the contract. For fixed basis physical delivery contracts, the Corporation records revenue net of the fixed basis differential.

Processing income is recognized when the Corporation has satisfied its performance obligation which occurs as each unit of raw gas is handled and processed by Advantage. The transaction price Advantage charges third-parties is a fixed charge per unit processed.

Payments are normally received from customers within 30 days following the end of the production month. The Corporation does not have any long-term contracts with unfulfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

### **3. Material accounting policies (continued)**

#### **(i) Income tax**

Income tax expense or recovery comprises current and deferred income tax. Income tax expense or recovery is recognized in income or loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are only offset when they are within the same legal entity and same tax jurisdiction. Deferred income tax assets and liabilities are presented as non-current.

#### **(j) Net income per share attributable to Advantage shareholders**

Basic net income per share is calculated by dividing the net income attributable to common shareholders of Advantage by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of potential dilutive instruments such as Performance Share Units and convertible debentures.

#### **(k) Share capital**

Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. Common shares repurchased by the Corporation are treated as a reduction of share capital based on the average carrying value of the common shares, with the difference between the repurchase price and average carrying value recognized as contributed surplus.

### **3. Material accounting policies (continued)**

#### **(l) Government grants and investment tax credits**

The Corporation may receive government grants which provide financial assistance for capital expenditures or expenses to be incurred. Government grants are recognized when there is reasonable assurance that the Corporation will comply with conditions attached to them and the grants will be received. The Corporation recognizes government grants in the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Financial Position on a systematic basis and in line with recognition of the expenditure that the grants are intended to compensate.

Investment tax credits relating to Scientific Research and Experimental Development claims are considered an income tax credit and are offset against our income tax expense when they become probable of realization.

Under the Government of Canada's refundable investment tax credit for Carbon Capture, Utilization and Storage ("CCUS") program, the Corporation is eligible to recover a portion of its capital expenditures on qualified CCUS projects. Investment tax credits under this program are recorded as a reduction to property, plant, and equipment. Claims for investment tax credits are accrued upon the Corporation attaining reasonable assurance of collections from the Canada Revenue Agency.

#### **(m) Segment reporting**

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other operating segments. All operating segment's operating results are reviewed regularly by the management teams of Advantage and Entropy, including the Chief Executive Officers ("CEOs"), Chief Financial Officers ("CFOs") and other Vice Presidents ("VPs") to make decisions and assess its performance for which discrete financial information is available.

#### **(n) New accounting policies**

On January 1, 2024, the Corporation adopted the amendments to *IAS 1 "Presentation of Financial Statements"*, whereby the classification of certain non-current liabilities needs to be reclassified as current. Under the previous IAS 1 requirements, companies classified a liability as current when they did not have an unconditional right to defer settlement for at least 12 months after the reporting date. The IASB removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. This amendment is retrospective and requires reclassification for the periods ended December 31, 2023 and January 1, 2023.

Due to the change in policy, there is a retrospective impact on the comparative Consolidated Statements of Financial position at December 31, 2023 and January 1, 2023, as Entropy had unsecured debentures. In the case of the debentures, the conversion features can be triggered at any time and Entropy would not have the right to defer the settlement of the liability in exchange for Entropy common shares for at least 12 months. As such, the liability is impacted by the revised policy. Entropy reclassified \$46.3 million and \$25.4 million from non-current liabilities to current liabilities for the periods ended December 31, 2023, and January 1, 2023, respectively. See note 16 for further details on the unsecured debentures.

### 3. Material accounting policies (continued)

#### (o) Future accounting pronouncements

##### ***IFRS 18 Presentation and Disclosure in Financial Statements***

On April 9, 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income and improve comparability across entities and reporting periods.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Corporation is currently evaluating the impact of adopting IFRS 18 on the Consolidated Financial Statements.

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

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

### 4. Material accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Material estimates and judgments made in the preparation of the consolidated financial statements are outlined below.

#### (a) Reserves base

A portion of the Corporation's property, plant, and equipment is depreciated on a UOP basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporating the estimated future cost of developing and extracting those reserves. Proved plus probable reserves are estimated by an independent qualified reserve evaluator and determined using recovery factors and future natural gas and liquids prices. Future development costs are estimated using assumptions as to the number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs.

#### (b) Determination of cash generating unit

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 infrastructure, the existence of common sales points, geography and geologic structure. 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.

#### **4. Material accounting judgements, estimates and assumptions (continued)**

##### **(c) Indicators of impairment and calculation of impairment**

At each reporting date, Advantage assesses whether there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property, plant and equipment are not recoverable, or impaired. Such circumstances include, but are not limited to, incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, a reduction in estimates of proved and probable reserves, or significant increases to expected costs to produce and transport reserves.

When Management judges that circumstances indicate potential impairment, property, plant, and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of CGUs are determined based on the higher of value-in-use calculations and fair values less costs of disposition. These calculations require the use of estimates and assumptions, that are subject to change as new information becomes available including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

##### **(d) Derivative assets and liabilities**

Derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive income 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 market prices as compared to the valuation assumptions. For embedded derivatives, Management determines the definition of the host contract and the separate embedded derivative. The judgments made in determining the host contract can influence the fair value of the embedded derivative.

##### **(e) Unsecured debentures**

Determining the fair value of unsecured debentures requires judgments related to the choice of a pricing model, the estimation of share price, timing and probability of an IPO, credit spread, volatility, interest rates, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Corporation's future operating results.

##### **(f) Share-based compensation**

The Corporation's share-based compensation expense is subject to measurement uncertainty as a result of estimates and assumptions related to the expected performance multiplier, forfeiture rates, expected life, market-based vesting conditions and underlying volatility of the price of the Corporation's common shares.

##### **(g) Decommissioning liability**

Decommissioning costs will be incurred by the Corporation at the end of the operating life of the Corporation's facilities and properties. The ultimate decommissioning liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

#### **4. Material accounting judgments, estimates and assumptions (continued)**

##### **(h) Income taxes**

Income tax laws and regulations are subject to change. Deferred tax liabilities that arise from temporary differences between recorded amounts on the statement of financial position and their respective tax bases will be payable in future periods. Deferred tax assets that arise from temporary differences between recorded amounts on the statement of financial position and their respective tax bases are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized. The amount of a deferred tax asset or liability is subject to Management's best estimate of when a temporary difference will reverse and expected changes in income tax rates. These estimates by nature involve significant measurement uncertainty.

##### **(i) Business combinations**

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values. The fair value of the property, plant and equipment and exploration and evaluation assets were based on a discounted cash flow model, calculating the present value of the expected future after-tax cash flows derived from the acquired oil and gas reserves as prepared by our internal qualified reserve engineers. The assumptions and estimates with respect to determining the fair value of property, plant and equipment and exploration and evaluation assets acquired generally require the most judgment and include estimates of oil and gas reserves acquired, production forecasts, timing and amounts of future development costs, production costs, forecast benchmark commodity prices and discount rate. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill. Future net earnings can be affected as a result of changes in future depreciation, asset impairment or goodwill impairment.

## 5. Segmented reporting

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

### **Advantage (natural gas and liquids producer)**

Advantage is engaged in the business of natural gas, crude oil and liquids production from its Montney and Charlie Lake resource plays in Alberta and B.C.

### **Entropy (carbon capture and storage)**

Entropy provides carbon capture and storage solutions to emitters of carbon dioxide and is pursuing a global business strategy. Entropy currently captures and sequesters carbon at Advantage's Glacier Gas Plant.

The segments were identified by the differences in products and services that each entity creates and sells to customers. Additionally, Advantage and Entropy are separately financed segments, with the unsecured debentures held by Entropy being non-recourse to Advantage. Inter-segment sales and expenses are recorded at prevailing market prices at the date of transaction and are eliminated on consolidation in order to arrive at net income in accordance with IFRS.

### Adjusted funds flow

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

| (\$000)                                   | Year ended<br>December 31 |                |
|-------------------------------------------|---------------------------|----------------|
|                                           | 2024                      | 2023           |
| Cash provided by operating activities     | 217,533                   | 323,345        |
| Expenditures on decommissioning liability | 3,059                     | 4,043          |
| Changes in non-cash working capital       | 20,804                    | (13,818)       |
| Adjusted funds flow                       | <b>241,396</b>            | <b>313,570</b> |

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

## 5. Segmented reporting (continued)

The following table is a summary of the segmented results:

| <b>For the year ended December 31, 2024</b>            | <b>Advantage</b> | <b>Entropy</b>  | <b>Inter-Segment<br/>Eliminations</b> | <b>Consolidated</b> |
|--------------------------------------------------------|------------------|-----------------|---------------------------------------|---------------------|
| Total assets                                           | 2,872,532        | 117,724         | (44,298)                              | 2,945,958           |
| Total liabilities                                      | 1,198,052        | 116,825         | (3,069)                               | 1,311,808           |
| Cash provided by (used in) operating activities        | 228,965          | (11,432)        | -                                     | 217,533             |
| Cash provided by financing activities                  | 429,764          | 51,313          | -                                     | 481,077             |
| Cash used in investing activities                      | (667,101)        | (30,624)        | -                                     | (697,725)           |
| Net capital expenditures                               | 700,597          | 36,314          | -                                     | 736,911             |
| Net debt                                               | 625,551          | 92,898          | -                                     | 718,449             |
| <b>Segmented adjusted funds flow</b>                   |                  |                 |                                       |                     |
| Natural gas and liquids sales                          | 543,295          | -               | -                                     | 543,295             |
| Processing and other income                            | 5,557            | 4,467           | (3,217)                               | 6,807               |
| Royalty expense                                        | (52,471)         | -               | -                                     | (52,471)            |
| Realized gains on derivatives                          | 51,127           | -               | -                                     | 51,127              |
| Total revenues (excluding unrealized gains and losses) | 547,508          | 4,467           | (3,217)                               | 548,758             |
| Operating expense                                      | (123,226)        | (2,521)         | -                                     | (125,747)           |
| Transportation expense                                 | (101,139)        | -               | -                                     | (101,139)           |
| General and administrative expense                     | (22,018)         | (11,066)        | -                                     | (33,084)            |
| Transaction costs                                      | (3,276)          | -               | -                                     | (3,276)             |
| Interest (expense) income                              | (43,925)         | 441             | -                                     | (43,484)            |
| Other (expenses) income                                | (3,893)          | 44              | 3,217                                 | (632)               |
| <b>Adjusted funds flow</b>                             | <b>250,031</b>   | <b>(8,635)</b>  | <b>-</b>                              | <b>241,396</b>      |
| <b>Reconciliation to net income (loss)</b>             |                  |                 |                                       |                     |
| Adjusted funds flow                                    | 250,031          | (8,635)         | -                                     | 241,396             |
| Unrealized gains (losses) on derivatives               | 5,181            | (866)           | -                                     | 4,315               |
| Share-based compensation expense                       | (3,665)          | (227)           | -                                     | (3,892)             |
| Depreciation and amortization expense                  | (194,583)        | (6,031)         | 1,125                                 | (199,489)           |
| Interest paid-in-kind                                  | -                | (3,547)         | -                                     | (3,547)             |
| Accretion expense                                      | (4,130)          | (1,259)         | -                                     | (5,389)             |
| Settlement of performance share units in cash          | 1,071            | -               | -                                     | 1,071               |
| Other expenses                                         | (1,548)          | -               | -                                     | (1,548)             |
| Income tax expense                                     | (12,805)         | -               | -                                     | (12,805)            |
| <b>Net income (loss)</b>                               | <b>39,552</b>    | <b>(20,565)</b> | <b>1,125</b>                          | <b>20,112</b>       |

## 5. Segmented reporting (continued)

| <b>For the year ended December 31, 2023</b>            | <b>Advantage</b> | <b>Entropy</b>  | <b>Inter-Segment<br/>Eliminations</b> | <b>Consolidated</b> |
|--------------------------------------------------------|------------------|-----------------|---------------------------------------|---------------------|
| Total assets                                           | 2,268,881        | 74,849          | (44,702)                              | 2,299,028           |
| Total liabilities                                      | 691,369          | 53,611          | (2,348)                               | 742,632             |
| Cash provided by (used in) operating activities        | 331,064          | (7,719)         | -                                     | 323,345             |
| Cash provided by (used in) financing activities        | (84,096)         | 13,833          | -                                     | (70,263)            |
| Cash used in investing activities                      | (268,872)        | (13,889)        | -                                     | (282,761)           |
| Net capital expenditures                               | 266,187          | 16,609          | -                                     | 282,796             |
| Net debt                                               | 195,942          | 39,068          | -                                     | 235,010             |
| <b>Segmented adjusted funds flow</b>                   |                  |                 |                                       |                     |
| Natural gas and liquids sales                          | 541,100          | -               | -                                     | 541,100             |
| Processing and other income                            | 7,627            | 1,094           | (1,094)                               | 7,627               |
| Sales of purchased natural gas                         | 3,124            | -               | -                                     | 3,124               |
| Royalty expense                                        | (42,432)         | -               | -                                     | (42,432)            |
| Realized gains on derivatives                          | 35,243           | -               | -                                     | 35,243              |
| Total revenues (excluding unrealized gains and losses) | 544,662          | 1,094           | (1,094)                               | 544,662             |
| Operating expense                                      | (83,762)         | (691)           | -                                     | (84,453)            |
| Transportation expense                                 | (90,603)         | -               | -                                     | (90,603)            |
| Natural gas purchases                                  | (3,371)          | -               | -                                     | (3,371)             |
| General and administrative expense                     | (18,647)         | (5,990)         | -                                     | (24,637)            |
| Interest expense                                       | (26,577)         | (992)           | -                                     | (27,569)            |
| Other expenses                                         | (1,533)          | (20)            | 1,094                                 | (459)               |
| <b>Adjusted funds flow</b>                             | <b>320,169</b>   | <b>(6,599)</b>  | <b>-</b>                              | <b>313,570</b>      |
| <b>Reconciliation to net income (loss)</b>             |                  |                 |                                       |                     |
| Adjusted funds flow                                    | 320,169          | (6,599)         | -                                     | 313,570             |
| Unrealized losses on derivatives                       | (3,869)          | (5,606)         | -                                     | (9,475)             |
| Share-based compensation expense                       | (6,414)          | (132)           | -                                     | (6,546)             |
| Depreciation and amortization expense                  | (148,542)        | (918)           | 563                                   | (148,897)           |
| Interest paid-in-kind                                  | -                | (504)           | -                                     | (504)               |
| Accretion expense                                      | (1,436)          | (581)           | -                                     | (2,017)             |
| Other expenses                                         | (10,223)         | -               | -                                     | (10,223)            |
| Income tax expense                                     | (35,635)         | -               | -                                     | (35,635)            |
| <b>Net income (loss)</b>                               | <b>114,050</b>   | <b>(14,340)</b> | <b>563</b>                            | <b>100,273</b>      |

## 6. Cash and cash equivalents

|                                | December 31<br>2024 | December 31<br>2023 |
|--------------------------------|---------------------|---------------------|
| Cash at financial institutions | 20,146              | 19,261              |

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at December 31, 2024 cash at financial institutions included US\$0.2 million (December 31, 2023 - US\$5.2 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings. Included in cash and cash equivalents as at December 31, 2024 is \$14.5 million held by Entropy (December 31, 2023 - \$5.3 million).

## 7. Trade and other receivables

|                                         | December 31<br>2024 | December 31<br>2023 |
|-----------------------------------------|---------------------|---------------------|
| Trade receivables                       | 79,561              | 49,604              |
| Receivables from joint venture partners | 3,627               | 3,774               |
|                                         | <b>83,188</b>       | <b>53,378</b>       |

## 8. Inventory

|                                     |              |
|-------------------------------------|--------------|
| Balance at December 31, 2022        | -            |
| Additions                           | 4,842        |
| Revaluation                         | (884)        |
| <b>Balance at December 31, 2023</b> | <b>3,958</b> |
| Revaluation                         | 199          |
| Sale of linefill                    | (620)        |
| <b>Balance at December 31, 2024</b> | <b>3,537</b> |

During the year ended December 31, 2024, Advantage sold \$0.6 million of linefill inventory for \$0.5 million and recognized a loss on sale of \$0.1 million in other income.

## 9. Intangible assets

|                                     |              |
|-------------------------------------|--------------|
| <b>Cost</b>                         |              |
| Balance at December 31, 2022        | 4,011        |
| Additions                           | 1,465        |
| <b>Balance at December 31, 2023</b> | <b>5,476</b> |
| Additions                           | 1,135        |
| <b>Balance at December 31, 2024</b> | <b>6,611</b> |
| <b>Accumulated amortization</b>     |              |
| Balance at December 31, 2022        | -            |
| Amortization                        | 113          |
| <b>Balance at December 31, 2023</b> | <b>113</b>   |
| Amortization                        | 1,252        |
| <b>Balance at December 31, 2024</b> | <b>1,365</b> |
| <b>Net book value</b>               |              |
| At December 31, 2023                | 5,363        |
| <b>At December 31, 2024</b>         | <b>5,246</b> |

Intangible assets consist of intellectual property, trade secrets and relevant knowledge of Entropy's CCS technologies, solvent and process development cost, internally developed software, and patents.

## 10. Business combination

On June 24, 2024, the Corporation closed the acquisition of certain Charlie Lake and Montney assets for cash consideration of \$445.3 million, including closing adjustments. The Corporation completed the acquisition to increase the scale and efficiency in our core operating areas and provide oil-weighted production and drilling inventory. The acquisition of the Charlie Lake and Montney assets has been accounted for as a business combination under IFRS 3.

The acquisition of the acquired assets contributed natural gas and liquids revenue of \$113.5 million and natural gas and liquids revenue less royalties, transportation and operating expenses of \$57.4 million from June 24, 2024 to December 31, 2024. Had the acquisition of these assets closed on January 1, 2024, estimated contributed natural gas and liquids revenue would have been \$252.9 million and natural gas and liquids revenue less royalties, transportation and operating expenses would have been \$133.8 million for the twelve months ended December 31, 2024.

The Corporation incurred transaction costs of \$3.3 million in relation to the business combination.

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

| <b>Consideration</b>                        |                |
|---------------------------------------------|----------------|
| Cash consideration                          | 445,274        |
| <b>Net assets acquired</b>                  |                |
| Right-of-use assets (note 11)               | 272            |
| Property, plant and equipment (note 11)     | 466,705        |
| Exploration and evaluation assets (note 11) | 6,838          |
| Lease liability (note 17(b))                | (272)          |
| Decommissioning liability (note 17 (c))     | (28,269)       |
| <b>Total net assets acquired</b>            | <b>445,274</b> |

## 11. Natural gas and liquids properties

| Cost                                              | Right-of-use assets | Exploration and evaluation assets | Property, plant and equipment | Total            |
|---------------------------------------------------|---------------------|-----------------------------------|-------------------------------|------------------|
| Balance at December 31, 2022                      | 2,977               | 15,791                            | 3,198,459                     | 3,217,227        |
| Additions                                         | 412                 | 9,181                             | 272,150                       | 281,743          |
| Capitalized share-based compensation (note 21(b)) | -                   | -                                 | 2,242                         | 2,242            |
| Capitalized interest paid-in-kind (note 16)       | -                   | -                                 | 303                           | 303              |
| Changes in decommissioning liability (note 17(c)) | -                   | -                                 | 13,911                        | 13,911           |
| Transfers                                         | -                   | (8,570)                           | 8,570                         | -                |
| Lease expiries                                    | -                   | (441)                             | -                             | (441)            |
| Expired right-of-use assets                       | (136)               | -                                 | -                             | (136)            |
| Balance at December 31, 2023                      | <b>3,253</b>        | <b>15,961</b>                     | <b>3,495,635</b>              | <b>3,514,849</b> |
| Additions                                         | 1,366               | -                                 | 301,923                       | 303,289          |
| Business combination (note 10)                    | 272                 | 6,838                             | 466,705                       | 473,815          |
| Asset Dispositions <sup>(1)</sup>                 | -                   | -                                 | (11,421)                      | (11,421)         |
| Capitalized share-based compensation (note 21(b)) | -                   | -                                 | 1,058                         | 1,058            |
| Capitalized interest paid-in-kind (note 16)       | -                   | -                                 | 1,646                         | 1,646            |
| Changes in decommissioning liability (note 17(c)) | -                   | -                                 | 37,247                        | 37,247           |
| Transfers                                         | -                   | (5,879)                           | 5,879                         | -                |
| Lease expiries                                    | -                   | (1,747)                           | -                             | (1,747)          |
| Expired right-of-use assets                       | (73)                | -                                 | -                             | (73)             |
| <b>Balance at December 31, 2024</b>               | <b>4,818</b>        | <b>15,173</b>                     | <b>4,298,672</b>              | <b>4,318,663</b> |
| <b>Accumulated depreciation</b>                   |                     |                                   |                               |                  |
| Balance at December 31, 2022                      | 1,133               | -                                 | 1,275,866                     | 1,276,999        |
| Depreciation                                      | 526                 | -                                 | 148,258                       | 148,784          |
| Expired right-of-use assets                       | (136)               | -                                 | -                             | (136)            |
| Balance at December 31, 2023                      | <b>1,523</b>        | -                                 | <b>1,424,124</b>              | <b>1,425,647</b> |
| Depreciation                                      | 823                 | -                                 | 197,414                       | 198,237          |
| Expired right-of-use assets                       | (73)                | -                                 | -                             | (73)             |
| <b>Balance at December 31, 2024</b>               | <b>2,273</b>        | -                                 | <b>1,621,538</b>              | <b>1,623,811</b> |
| <b>Net book value</b>                             |                     |                                   |                               |                  |
| At December 31, 2023                              | 1,730               | 15,961                            | 2,071,511                     | 2,089,202        |
| <b>At December 31, 2024</b>                       | <b>2,545</b>        | <b>15,173</b>                     | <b>2,677,134</b>              | <b>2,694,852</b> |

<sup>(1)</sup> During the fourth quarter of 2024, Advantage disposed of non-core assets, that were acquired through the business combination, for net proceeds of \$11.4 million. These assets were removed from property, plant and equipment with no gain or loss recognized.

During the year ended December 31, 2024, Advantage capitalized general and administrative expenditures directly related to development activities of \$6.5 million, included in additions (year ended December 31, 2023 - \$5.3 million).

Advantage included future development costs of \$2.8 billion (December 31, 2023 - \$2.1 billion) in natural gas and liquids properties costs subject to depreciation.

During the year ended December 31, 2024, Entropy capitalized borrowing costs that were paid-in-kind, directly related to funding CCS development activities of \$1.6 million (year ended December 31, 2023 - \$0.2 million paid in cash and \$0.3 million paid-in-kind included in additions).

## 11. Natural gas and liquids properties (continued)

Included in additions to property, plant and equipment is \$35.2 million incurred by Entropy (year ended December 31, 2023 - \$15.1 million) and the total net book value of Entropy's property, plant and equipment included at December 31, 2024 is \$73.4 million (year ended December 31, 2023 - \$39.6 million).

For the year ended December 31, 2024, the Corporation evaluated its property, plant and equipment and exploration and evaluation assets for indicators of any potential impairment. As a result of this assessment, no indicators were identified, and no impairment test was performed.

## 12. Financial risk management

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

Fair value is determined following a three-level hierarchy:

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

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

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

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

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

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

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

The Corporation's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk;
- commodity price risk;
- interest rate risk; and
- foreign exchange risk.

## 12. Financial risk management (continued)

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

|                                                 | Year ended<br>December 31 |                |
|-------------------------------------------------|---------------------------|----------------|
|                                                 | 2024                      | 2023           |
| <b>Realized gains (losses) on derivatives</b>   |                           |                |
| Natural gas                                     | 47,642                    | 38,184         |
| Crude oil                                       | 6,493                     | -              |
| Foreign exchange                                | (101)                     | (2,033)        |
| Natural gas embedded derivative                 | (2,907)                   | (908)          |
| <b>Total</b>                                    | <b>51,127</b>             | <b>35,243</b>  |
| <b>Unrealized gains (losses) on derivatives</b> |                           |                |
| Natural gas                                     | 4,496                     | 6,233          |
| Crude oil                                       | 7,052                     | -              |
| Foreign exchange                                | (1,634)                   | 3,090          |
| Natural gas embedded derivative                 | (4,733)                   | (13,192)       |
| Unsecured debentures – derivative liability     | (866)                     | (5,606)        |
| <b>Total</b>                                    | <b>4,315</b>              | <b>(9,475)</b> |
| <b>Gains (losses) on derivatives</b>            |                           |                |
| Natural gas                                     | 52,138                    | 44,417         |
| Crude oil                                       | 13,545                    | -              |
| Foreign exchange                                | (1,735)                   | 1,057          |
| Natural gas embedded derivative                 | (7,640)                   | (14,100)       |
| Unsecured debentures – derivative liability     | (866)                     | (5,606)        |
| <b>Total</b>                                    | <b>55,442</b>             | <b>25,768</b>  |

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.

|                                                                    | December 31<br>2024 | December 31<br>2023 |
|--------------------------------------------------------------------|---------------------|---------------------|
| <b>Derivative type</b>                                             |                     |                     |
| Natural gas derivative asset                                       | 27,204              | 22,708              |
| Crude oil derivative asset                                         | 7,052               | -                   |
| Foreign exchange derivative asset (liability)                      | (741)               | 893                 |
| Natural gas embedded derivative asset                              | 81,950              | 86,683              |
| Unsecured debentures (note 16)                                     | (40,344)            | (18,444)            |
| <b>Net derivative asset</b>                                        | <b>75,121</b>       | <b>91,840</b>       |
| <b>Consolidated statement of financial position classification</b> |                     |                     |
| Current derivative asset                                           | 50,358              | 31,200              |
| Non-current derivative asset                                       | 78,631              | 80,048              |
| Current derivative liability                                       | (8,900)             | (964)               |
| Non-current derivative liability                                   | (4,624)             | -                   |
| Unsecured debentures (note 16)                                     | (40,344)            | (18,444)            |
| <b>Net derivative asset</b>                                        | <b>75,121</b>       | <b>91,840</b>       |

## 12. Financial risk management (continued)

### (a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Corporation's receivables from natural gas and liquids marketers and companies with whom we enter into derivative contracts. The maximum exposure to credit risk is as follows:

|                             | December 31<br>2024 | December 31<br>2023 |
|-----------------------------|---------------------|---------------------|
| Trade and other receivables | 83,188              | 53,378              |
| Deposits                    | 5,713               | 12,600              |
| Derivative assets           | 128,989             | 111,248             |
|                             | <b>217,890</b>      | <b>177,226</b>      |

Trade and other receivables, deposits, and derivative assets are subject to credit risk exposure and the carrying values reflect Management's assessment of the associated maximum exposure to such credit risk. Advantage mitigates such credit risk by closely monitoring significant counterparties and dealing with a broad selection of counterparties that diversify risk within the sector. The majority of the Corporation's deposits are due from the Alberta Provincial government and are viewed by Management as having minimal associated credit risk. To the extent that Advantage enters derivatives to manage commodity price risk and foreign exchange risk, it may be subject to credit risk associated with counterparties with which it contracts. Credit risk is mitigated by entering contracts with only stable, creditworthy parties and through frequent reviews of exposures to individual entities. The Corporation only enters derivative contracts with major banks and international energy firms to further mitigate associated credit risk. In addition, the Corporation has an embedded derivative with a US power company with a remaining term of 8 years (note 12(c)).

Substantially all of the Corporation's trade and other receivables are due from customers concentrated in the North American oil and gas industry. As such, trade and other receivables are subject to normal industry credit risks. As at December 31, 2024, \$1.2 million of trade and other receivables are outstanding for 90 days or more (December 31, 2023 – \$0.5 million). The Corporation believes the entire balance is collectible, and in some instances can mitigate risk through withholding production or offsetting payables with the same parties. At December 31, 2024, the average expected credit loss for trade and other receivables was 1.09% (December 31, 2023 – 0.55%).

### (b) Liquidity risk

The Corporation is subject to liquidity risk attributed from trade and other accrued liabilities, derivative liabilities, lease liabilities, performance awards, deferred share units, financing liabilities, convertible debentures, unsecured debentures and bank indebtedness. Trade and other accrued liabilities are all due within one year of the Consolidated Statement of Financial Position date. The Corporation's Performance Awards are all payable within one to three years of the Consolidated Statement of Financial Position date. The Corporation's deferred share units become payable on retirement of a director from the Board. The Corporation's lease liability and financing liability are settled in a systematic basis over their respective terms and will be settled over the next six and twelve years, respectively. Advantage does not anticipate any problems in satisfying these obligations from cash provided by operating activities and the existing credit facilities.

## 12. Financial risk management (continued)

The Corporation's convertible debentures have an aggregate principal amount of \$143.8 million and will mature and be repayable on June 30, 2029. The convertible debentures will accrue interest at the rate of 5.0% per annum payable semi-annually in arrears on June 30 and December 31 of each year, which commenced on December 31, 2024. Advantage does not anticipate any liquidity issues with regards to settling the semi-annual interest payments, and the principal balance of the convertible debentures at time of maturity. Advantage also has the option to settle the principal and interest of the convertible debentures in shares subject to the terms of the convertible debenture indenture.

The Corporation's bank indebtedness is subject to \$650 million of credit facility agreements. Although the credit facilities are a source of liquidity risk, the facilities also mitigate liquidity risk by enabling Advantage to manage interim cash flow fluctuations. The terms of the credit facilities are such that they provide Advantage adequate flexibility to evaluate and assess liquidity issues if and when they arise. Additionally, the Corporation regularly monitors liquidity related to obligations by evaluating forecasted cash flows, optimal debt levels, capital spending activity, working capital requirements, and other potential cash expenditures. This continual financial assessment process further enables the Corporation to mitigate liquidity risk.

The unsecured debentures held by Entropy are non-recourse to Advantage and are to be repaid by Entropy at the end of the 10-year terms, if not exchanged for common shares. Debentures issued by Entropy bear an interest rate of 8% per annum due on a quarterly basis, which can be paid-in-kind or cash, at the discretion of Entropy.

To the extent that Advantage enters derivatives to manage commodity price risk, it may be subject to liquidity risk as derivative liabilities become due. While the Corporation has elected not to follow hedge accounting, derivative instruments are not entered for speculative purposes and Management closely monitors existing commodity risk exposures. As such, liquidity risk is mitigated since any losses realized are offset by increased cash flows realized from the higher commodity price environment.

## 12. Financial risk management (continued)

### (b) Liquidity risk (continued)

The timing of undiscounted cash outflows and contractual maturities relating to financial liabilities as at December 31, 2024 and 2023 are as follows:

| <b>December 31, 2024</b>                        | <b>Undiscounted cash flows<sup>(3)</sup></b> | <b>Less than one year</b> | <b>One to three years</b> | <b>Beyond</b>  |
|-------------------------------------------------|----------------------------------------------|---------------------------|---------------------------|----------------|
| Trade and other accrued liabilities             | 116,609                                      | 116,609                   | -                         | -              |
| Deferred Share Units                            | 4,869                                        | 4,869                     | -                         | -              |
| Derivative liability                            | 13,524                                       | 8,900                     | 4,624                     | -              |
| Performance Awards                              | 4,995                                        | 1,187                     | 3,808                     | -              |
| Lease liability                                 | 3,252                                        | 1,195                     | 1,946                     | 111            |
| Financing liability                             | 137,041                                      | 13,050                    | 39,185                    | 84,806         |
| Convertible debentures - principal              | 143,750                                      | -                         | -                         | 143,750        |
| - interest                                      | 32,334                                       | 7,188                     | 21,582                    | 3,564          |
| Bank indebtedness - principal                   | 475,000                                      | -                         | 475,000                   | -              |
| - interest <sup>(1)</sup>                       | 46,955                                       | 31,303                    | 15,652                    | -              |
| Unsecured debentures - principal <sup>(2)</sup> | 101,000                                      | -                         | -                         | 101,000        |
| - interest <sup>(2)</sup>                       | 70,974                                       | 8,080                     | 24,240                    | 38,654         |
|                                                 | <b>1,150,303</b>                             | <b>192,381</b>            | <b>586,037</b>            | <b>371,885</b> |
| <b>December 31, 2023</b>                        | <b>Undiscounted cash flows<sup>(3)</sup></b> | <b>Less than one year</b> | <b>One to three years</b> | <b>Beyond</b>  |
| Trade and other accrued liabilities             | 70,606                                       | 70,606                    | -                         | -              |
| Deferred Share Units                            | 4,579                                        | 4,579                     | -                         | -              |
| Derivative liability                            | 964                                          | 964                       | -                         | -              |
| Performance Awards                              | 9,676                                        | 5,917                     | 3,759                     | -              |
| Lease liability                                 | 2,409                                        | 585                       | 1,466                     | 358            |
| Financing liability                             | 150,164                                      | 13,086                    | 39,150                    | 97,928         |
| Bank indebtedness - principal                   | 215,000                                      | -                         | 215,000                   | -              |
| - interest <sup>(1)</sup>                       | 26,961                                       | 17,974                    | 8,987                     | -              |
| Unsecured debentures - principal <sup>(2)</sup> | 40,807                                       | -                         | -                         | 40,807         |
| - interest <sup>(2)</sup>                       | 28,021                                       | 3,200                     | 9,600                     | 15,221         |
|                                                 | <b>549,187</b>                               | <b>116,911</b>            | <b>277,962</b>            | <b>154,314</b> |

<sup>(1)</sup> Interest on bank indebtedness was calculated assuming conversion of the revolving credit facility to a one-year term facility at the next annual facility review.

<sup>(2)</sup> The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured debentures bears an interest rate of 8%, which can be paid-in-kind, or cash, at the discretion of Entropy.

<sup>(3)</sup> The undiscounted cash flows equal the carrying value, with the exception of performance awards, lease liability, financing liability, convertible debentures, and unsecured debentures.

The Corporation's bank indebtedness is governed by credit facility agreements with a syndicate of financial institutions (note 13). The Credit Facility has a tenor of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. During the term, no principal payments are required until the revolving period matures in June 2026 in the event of a reduction, or the Credit Facility not being renewed. Management fully expects that the facilities will be extended at each annual review.

## 12. Financial risk management (continued)

### (c) Commodity price risk

Advantage's derivative assets and liabilities are subject to price risk as their fair values are based on assumptions regarding forward market prices. The Corporation enters into non-financial derivatives to manage price risk exposure relative to actual commodity production and does not utilize derivative instruments for speculative purposes. Changes to price assumptions can have a significant effect on the fair value of the derivative assets and liabilities and thereby impact earnings. The estimated impact to net income for the year ended December 31, 2024 resulting from a 10% change to significant price assumptions is as follows:

| Price Assumptions              | Net Income Impact<br>(\$ millions) |        |
|--------------------------------|------------------------------------|--------|
|                                | +10%                               | (10)%  |
| Forward AECO natural gas price | (16.3)                             | 16.3   |
| Forward Dawn natural gas price | (9.6)                              | 9.6    |
| Forward PJM electricity price  | 9.2                                | (10.5) |
| Forward WTI price              | (14.7)                             | 14.7   |

As at December 31, 2024 and March 4, 2025, the Corporation had the following commodity derivative contracts in place:

| Description of derivative    | Term                         | Volume        | Price                         |
|------------------------------|------------------------------|---------------|-------------------------------|
| <b>Natural gas - AECO</b>    |                              |               |                               |
| Fixed price swap             | January 2025 to March 2025   | 113,738 Mcf/d | \$3.13/Mcf                    |
| Fixed price swap             | April 2025 to October 2025   | 120,847 Mcf/d | \$2.66/Mcf <sup>(1)</sup>     |
| Fixed price swap             | November 2025 to March 2026  | 123,216 Mcf/d | \$3.58/Mcf                    |
| Fixed price swap             | April 2026 to October 2026   | 66,347 Mcf/d  | \$3.17/Mcf <sup>(1)</sup>     |
| Fixed price swap             | November 2026 to March 2027  | 71,086 Mcf/d  | \$3.27/Mcf                    |
| Fixed price swap             | April 2027 to March 2028     | 14,217 Mcf/d  | \$3.23/Mcf                    |
| <b>Natural gas - Chicago</b> |                              |               |                               |
| Fixed price swap             | April 2025 to October 2025   | 4,739 Mcf/d   | \$5.10/Mcf <sup>(1)</sup>     |
| <b>Natural gas - Dawn</b>    |                              |               |                               |
| Fixed price swap             | January 2025 to October 2025 | 47,391 Mcf/d  | \$4.04/Mcf                    |
| Fixed price swap             | November 2025 to March 2026  | 28,435 Mcf/d  | \$4.65/Mcf                    |
| Fixed price swap             | April 2026 to October 2026   | 28,435 Mcf/d  | \$4.52/Mcf                    |
| Fixed price swap             | November 2026 to March 2027  | 9,478 Mcf/d   | \$4.25/Mcf                    |
| <b>Crude oil - WTI NYMEX</b> |                              |               |                               |
| Fixed price swap             | January 2025 to June 2025    | 5,000 bbls/d  | US \$74.43/bbl                |
| Fixed price swap             | July 2025 to December 2025   | 4,000 bbls/d  | US \$71.24/bbl <sup>(1)</sup> |

(1) Contains contracts entered into subsequent to December 31, 2024

## **12. Financial risk management (continued)**

### **(c) Commodity price risk (continued)**

#### Natural Gas - Embedded Derivative

Commencing in 2023, Advantage began selling natural gas under a long-term natural gas supply agreement, delivering 25,000 MMBtu/d of natural gas for a 10-year period. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMbtu. The Corporation will realize derivative gains or losses when the price received under the contract deviates from US \$2.50/MMbtu. As at December 31, 2024 the fair value of the natural gas embedded derivative resulted in an asset of \$82.0 million (December 31, 2023 – \$86.7 million).

The Corporation determines the fair value of the embedded derivative contract by utilizing an observable 5-year PJM electricity forecast. The remaining unobservable period beyond 5-years is estimated using the implied inflation rate in the 5-year PJM electricity forecast. At December 31, 2024, the implied inflation rate in the 5-year PJM power forecast averaged 0% per year. If the implied inflation rate in the 5-year PJM electricity forecast changed by 1%, the fair value of the embedded derivative would change by \$0.4 million.

### **(d) Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the outstanding bank indebtedness fluctuates with the interest rates posted by the lenders. The Corporation is exposed to interest rate risk and may enter into fixed interest rate swaps to mitigate interest rate risk. As at December 31, 2024, the Corporation had no outstanding interest rate hedges in place. Had the borrowing rate been different by 100 basis points throughout the year ended December 31, 2024, net income and comprehensive income would have changed by \$2.8 million (December 31, 2023 – \$1.5 million) based on the average debt balance outstanding during the year.

### **(e) Foreign exchange risk**

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in the CAD/USD exchange rate. While the majority of the Corporation's natural gas and liquids sales are settled in Canadian dollars, certain natural gas and oil prices where the Corporation markets its natural gas and liquids production are denominated in US dollars. Additionally, the Corporation may enter derivative contracts to manage the commodity risk associated with such sales and which may also settle in US dollars. The Corporation has entered into average rate currency swaps to mitigate the Corporation's exposure to foreign exchange risk. Had the CAD/USD foreign exchange rate been different by \$0.02 throughout the year ended December 31, 2024, net income and comprehensive income would have changed by \$8.5 million (December 31, 2023 – \$9.2 million).

## 12. Financial risk management (continued)

### (e) Foreign exchange risk (continued)

As at December 31, 2024, the Corporation had the following foreign exchange derivative contracts in place:

| Description of Derivative     | Term                         | Notional Amount       | Rate   |
|-------------------------------|------------------------------|-----------------------|--------|
| <b>Forward rate - CAD/USD</b> |                              |                       |        |
| Average rate currency swap    | January 2025                 | US \$ 5,000,000/month | 1.3996 |
| Average rate currency swap    | February 2025 to June 2025   | US \$ 4,000,000/month | 1.4048 |
| Average rate currency swap    | July 2025                    | US \$ 3,000,000/month | 1.3969 |
| Average rate currency swap    | August 2025 to December 2025 | US \$ 1,000,000/month | 1.4320 |

As at December 31, 2024 the fair value of the foreign exchange derivatives outstanding resulted in a liability of \$0.7 million (December 31, 2023 – \$0.9 million asset).

### (f) Capital management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including replacement of production, funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

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 (cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables), financing liabilities, bank indebtedness, unsecured debentures, convertible debentures and share capital. Advantage may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

## 12. Financial risk management (continued)

### (f) Capital management (continued)

#### 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 operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

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

|                                          | December 31<br>2024 | December 31<br>2023 |
|------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents                | 20,146              | 19,261              |
| Trade and other receivables              | 83,188              | 53,378              |
| Prepaid expenses and deposits            | 10,000              | 16,618              |
| Trade and other accrued liabilities      | (116,609)           | (70,606)            |
| <b>Working capital surplus (deficit)</b> | <b>(3,275)</b>      | <b>18,651</b>       |

#### Net debt

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

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

|                                   | December 31<br>2024 | December 31<br>2023 |
|-----------------------------------|---------------------|---------------------|
| Bank indebtedness (note 13)       | 470,424             | 212,854             |
| Convertible debentures (note 14)  | 143,750             | -                   |
| Unsecured debentures (note 16)    | 101,000             | 40,807              |
| Working capital (surplus) deficit | 3,275               | (18,651)            |
| <b>Net debt</b>                   | <b>718,449</b>      | <b>235,010</b>      |

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

|                                       | December 31<br>2024 | December 31<br>2023 |
|---------------------------------------|---------------------|---------------------|
| Shares outstanding (note 19)          | 166,931,440         | 162,225,180         |
| Share closing market price (\$/share) | 9.86                | 8.53                |
| Market capitalization                 | <b>1,645,944</b>    | <b>1,383,781</b>    |
| Net debt                              | 718,449             | 235,010             |
| <b>Total capitalization</b>           | <b>2,364,393</b>    | <b>1,618,791</b>    |

### 13. Bank indebtedness

|                                                | December 31<br>2024 | December 31<br>2023 |
|------------------------------------------------|---------------------|---------------------|
| Revolving credit facility                      | 475,000             | 215,000             |
| Discount on bankers' acceptance and other fees | (4,576)             | (2,146)             |
| <b>Balance, end of year</b>                    | <b>470,424</b>      | <b>212,854</b>      |

As at December 31, 2024, the Corporation had credit facilities with a borrowing base of \$650 million. The Credit Facilities are comprised of a \$60 million extendible revolving operating loan facility from one financial institution and a \$590 million extendible revolving loan facility from a syndicate of financial institutions.

On June 24, 2024, the borrowing base of the Credit Facilities was increased to \$650 million from \$350 million. The increased borrowing base was partially used to finance the acquisition of certain Charlie Lake and Montney assets (note 10). The Credit Facility has a term of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2026 in the event of a reduction, or the Credit Facilities not being renewed. The borrowing base is determined based on, among other things, a thorough evaluation of Advantage's reserve estimates based upon the lender's commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. In the event that the lenders reduce the borrowing base below the amount drawn at the time of redetermination, the Corporation has 60 days to eliminate any shortfall by repaying amounts in excess of the new re-determined borrowing base.

Amounts borrowed under the Credit Facilities bear interest at rates ranging from interest at Canadian bank prime plus 2.5% to 5.0% per annum, and Canadian prime or US base rate plus 1.5% to 5.0% per annum, in each case, depending on the type of borrowing and the Corporation's debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio.

Undrawn amounts under the Credit Facilities bear a standby fee ranging from 0.625% to 1.500% per annum, dependent on the Corporation's debt to EBITDA ratio. Repayments of principal are not required prior to maturity provided that the borrowings under the Credit Facilities do not exceed the authorized borrowing base and the Corporation is in compliance with all covenants, representations and warranties.

The Credit Facilities prohibit the Corporation from entering into any derivative contract, excluding basis swaps, where the term of such contract exceeds five years. Further, the aggregate of such contracts cannot hedge greater than 75% of total estimated natural gas and liquids production over the first three years and 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter into basis swap arrangements to any natural gas price point in North America for up to 100,000 MMBtu/day with a maximum term of seven years. Basis swap arrangements and the Corporation's embedded derivative do not count against the limitations on hedged production.

### 13. Bank indebtedness (continued)

The Credit Facilities contain standard commercial covenants for credit facilities of this nature. The Corporation did not have any financial covenants at December 31, 2024 and 2023, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") is not less than 2.0. As at December 31, 2024 the Corporation had a 20.06 LMR (December 31, 2023 – 27.7 LMR). All other applicable non-financial covenants were met at December 31, 2024 and 2023. Breach of any covenant will result in an event of default in which case the Corporation has 30 days to remedy such default. If the default is not remedied or waived, and if required by the lenders, the administrative agent of the lenders has the option to declare all obligations under the credit facilities to be immediately due and payable without further demand, presentation, protest, days of grace, or notice of any kind. The Credit Facilities are collateralized by a \$2 billion floating charge demand debenture covering all assets. For the year ended December 31, 2024, the average effective interest rate on the outstanding amounts under the facilities was approximately 6.6% (December 31, 2023 – 8.4%). The Corporation had letters of credit of \$5.5 million outstanding at December 31, 2024 (December 31, 2023 – \$12.9 million).

### 14. Convertible debentures

|                                    | Convertible<br>Debentures<br>(# of Debentures) | Liability<br>Component | Equity<br>Component |
|------------------------------------|------------------------------------------------|------------------------|---------------------|
| Balance, December 31, 2023         | -                                              | -                      | -                   |
| Issuance of convertible debentures | 143,750                                        | 126,261                | 17,489              |
| Issuance costs                     | -                                              | (5,694)                | (788)               |
| Deferred income tax liability      | -                                              | -                      | (3,842)             |
| Accretion of discount              | -                                              | 2,016                  | -                   |
| <b>Balance, December 31, 2024</b>  | <b>143,750</b>                                 | <b>122,583</b>         | <b>12,859</b>       |

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

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

## 14. Convertible debentures (continued)

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

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 8.0%. The difference between the \$143.8 million principal amount of the Debentures and the fair value of the liability component was recognized in Shareholders' equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of \$6.5 million were allocated proportionately to the liability and equity components of the Debentures.

The fair value of the Debentures at December 31, 2024 was \$147.3 million using quoted market prices on the TSX.

## 15. Financing liability

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

A reconciliation of the financing liability is provided below:

|                                 | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|---------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year  | 92,897                          | 94,705                          |
| Additions                       | -                               | 2,500                           |
| Interest expense                | 8,272                           | 8,452                           |
| Financing payments              | (13,086)                        | (12,760)                        |
| <b>Balance, end of year</b>     | <b>88,083</b>                   | <b>92,897</b>                   |
| Current financing liability     | 5,256                           | 4,813                           |
| Non-current financing liability | 82,827                          | 88,084                          |

## 16. Unsecured debentures

The Corporation's subsidiary, Entropy, is a party to two Investment Agreements with investors who provided capital commitments of \$300 million and \$200 million. In connection with the Investment Agreements, Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met.

Under the terms of the agreements, Entropy and the investors have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10.00 per share and \$12.75 per share, respectively, subject to adjustment in certain circumstances. The investors have the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an Initial Public Offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor's pro rata share of the fair market value of Entropy. Each debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. Any paid-in-kind interest is added to the aggregate principal, subject to certain limitations. The unsecured debentures are non-recourse to Advantage.

During 2024, Entropy issued unsecured debentures for gross proceeds of \$55.0 million (December 31, 2023 - \$15.0 million) and incurred \$3.5 million of issuance costs (December 31, 2023 - \$1.2 million). Subsequent to year-end, Entropy issued unsecured debentures for gross proceeds of \$42.0 million.

For the year ended December 31, 2024, Entropy incurred interest of \$5.2 million (December 31, 2023 - \$2.5 million), of which none was paid in cash (December 31, 2023 - \$1.7 million), and \$5.2 million was paid-in-kind (December 31, 2023 - \$0.8 million).

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

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

|                                                    | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|----------------------------------------------------|---------------------------------|---------------------------------|
| Aggregate principal balance, beginning of the year | 40,807                          | 25,000                          |
| Unsecured debentures issued                        | 55,000                          | 15,000                          |
| Interest paid-in-kind                              | 5,193                           | 807                             |
| <b>Aggregate principal balance, end of year</b>    | <b>101,000</b>                  | <b>40,807</b>                   |

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

|                                | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|--------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year | 27,819                          | 15,700                          |
| Issuances                      | 39,159                          | 12,713                          |
| Issuance costs                 | (3,528)                         | (1,167)                         |
| Accretion expense              | 1,232                           | 573                             |
| <b>Balance, end of year</b>    | <b>64,682</b>                   | <b>27,819</b>                   |

## 16. Unsecured debentures (continued)

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

|                                | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|--------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year | 18,444                          | 9,744                           |
| Issuances                      | 21,034                          | 3,094                           |
| Revaluation                    | 866                             | 5,606                           |
| <b>Balance, end of year</b>    | <b>40,344</b>                   | <b>18,444</b>                   |

The Corporation determined the value of the conversion feature using a probability weighted Black-Scholes calculation. Unobservable inputs used to determine the valuation at December 31, 2024 includes estimated share price, estimated timing and probability of an IPO, share price volatility and credit spread. The below table provides the impact to the valuation of the derivative liability by adjusting the inputs below:

| \$ millions                                 | Increase | (Decrease) |
|---------------------------------------------|----------|------------|
| \$1 change in estimated share price         | 9.1      | (9.1)      |
| 1% change in credit spread                  | 2.2      | (2.2)      |
| 1 year change in estimated timing of an IPO | 3.6      | (3.4)      |

## 17. Provisions and other liabilities

|                                              | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|----------------------------------------------|---------------------------------|---------------------------------|
| Performance Awards (note 21(c))              | 2,312                           | 6,687                           |
| Deferred Share Units (note 21(d))            | 4,869                           | 4,579                           |
| Deferred revenue (a)                         | 5,639                           | 6,603                           |
| Lease liability (b)                          | 2,820                           | 1,967                           |
| Decommissioning liability (c)                | 126,753                         | 62,155                          |
| <b>Balance, end of year</b>                  | <b>142,393</b>                  | <b>81,991</b>                   |
| Current provisions and other liabilities     | 14,724                          | 20,054                          |
| Non-current provisions and other liabilities | 127,669                         | 61,937                          |

### (a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future sales of natural gas. Deferred revenue is recognized over the course of the term of the agreements (note 12 (c)).

|                                             | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|---------------------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year              | 6,603                           | 6,603                           |
| Additions                                   | 240                             | -                               |
| Recognized in natural gas and liquids sales | (1,204)                         | -                               |
| <b>Balance, end of period</b>               | <b>5,639</b>                    | <b>6,603</b>                    |
| Current deferred revenue                    | 852                             | 6,603                           |
| Non-current deferred revenue                | 4,787                           | -                               |

## 17. Provisions and other liabilities (continued)

### (b) Lease liability

The Corporation incurs lease payments related to office space 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:

|                                | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|--------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year | 1,967                           | 2,154                           |
| Additions                      | 1,366                           | 412                             |
| Leases acquired (note 10)      | 272                             | -                               |
| Interest expense               | 160                             | 92                              |
| Lease payments                 | (945)                           | (691)                           |
| <b>Balance, end of year</b>    | <b>2,820</b>                    | <b>1,967</b>                    |
| Current lease liability        | 929                             | 522                             |
| Non-current lease liability    | 1,891                           | 1,445                           |

### (c) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2025 and 2075. A risk-free rate of 3.30% (December 31, 2023 - 3.02%) and an inflation factor of 2.0% (December 31, 2023 - 2.0%) were used to calculate the fair value of the decommissioning liability at December 31, 2024. As at December 31, 2024, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$168.7 million (December 31, 2023 – \$82.6 million).

A reconciliation of the decommissioning liability is provided below:

|                                                    | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|----------------------------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year                     | 62,155                          | 41,945                          |
| Accretion expense                                  | 2,141                           | 1,444                           |
| Liabilities incurred <sup>(3)</sup>                | 12,229                          | 4,472                           |
| Liabilities acquired (note 10)                     | 28,269                          | -                               |
| Revaluation of liabilities acquired <sup>(1)</sup> | 24,694                          | -                               |
| Liabilities disposed                               | (1,990)                         | -                               |
| Change in estimates                                | 4,647                           | 2,263                           |
| Change in estimates expensed <sup>(2)</sup>        | -                               | 8,898                           |
| Effect of change in risk-free rate                 | (2,333)                         | 7,176                           |
| Liabilities settled                                | (3,059)                         | (4,043)                         |
| <b>Balance, end of year</b>                        | <b>126,753</b>                  | <b>62,155</b>                   |
| Current decommissioning liability                  | 7,000                           | 3,000                           |
| Non-current decommissioning liability              | 119,753                         | 59,155                          |

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

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

<sup>(3)</sup> A portion of the liabilities incurred relate to the assumption of the associated decommissioning liability for an idled sour gas plant acquired in close proximity to the Corporation's existing Conroy asset.

## 18. Income taxes

The provision for income taxes is as follows:

|                             | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|-----------------------------|---------------------------------|---------------------------------|
| Current income tax expense  | -                               | -                               |
| Deferred income tax expense | 12,805                          | 35,635                          |
| <b>Income tax expense</b>   | <b>12,805</b>                   | <b>35,635</b>                   |

The provision for income taxes varies from the amount that would be computed by applying the combined federal and provincial income tax rates for the following reasons:

|                                                     | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| Income before taxes and non-controlling interest    | 32,917                          | 135,908                         |
| Combined federal and provincial income tax rates    | 23.0%                           | 23.0%                           |
| Expected income tax expense                         | 7,571                           | 31,259                          |
| Increase (decrease) in income taxes resulting from: |                                 |                                 |
| Non-deductible expenses                             | 895                             | 1,520                           |
| Valuation allowance                                 | 4,678                           | 3,266                           |
| Other                                               | (340)                           | (409)                           |
| <b>Income tax expense</b>                           | <b>12,805</b>                   | <b>35,635</b>                   |
| <b>Effective tax rate</b>                           | <b>38.9%</b>                    | <b>26.2%</b>                    |

The movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

|                                         | At<br>December 31<br>2023 | Credited<br>(charged)<br>to income | Credited<br>(charged)<br>to equity | At<br>December 31<br>2024 |
|-----------------------------------------|---------------------------|------------------------------------|------------------------------------|---------------------------|
| <b>Deferred income tax assets:</b>      |                           |                                    |                                    |                           |
| Decommissioning liability               | 14,293                    | 14,860                             | -                                  | 29,153                    |
| Non-capital losses                      | 74,639                    | 9,398                              | -                                  | 84,037                    |
| Financing liability                     | 20,791                    | (532)                              | -                                  | 20,259                    |
| Other                                   | 21,175                    | (616)                              | 538                                | 21,097                    |
|                                         | 130,898                   | 23,110                             | 538                                | 154,546                   |
| <b>Deferred income tax liabilities:</b> |                           |                                    |                                    |                           |
| Property, plant and equipment           | (342,176)                 | (35,167)                           | -                                  | (377,343)                 |
| Derivative asset/liability              | (25,365)                  | (1,192)                            | -                                  | (26,557)                  |
| Other                                   | (414)                     | 444                                | (3,842)                            | (3,812)                   |
|                                         | (367,955)                 | (35,915)                           | (3,842)                            | (407,712)                 |
| <b>Deferred income tax liability</b>    | <b>(237,057)</b>          | <b>(12,805)</b>                    | <b>(3,304)</b>                     | <b>(253,166)</b>          |

## 18. Income taxes (continued)

|                                         | At December 31, 2022 | Credited (charged)<br>to income | At December 31, 2023 |
|-----------------------------------------|----------------------|---------------------------------|----------------------|
| <b>Deferred income tax assets:</b>      |                      |                                 |                      |
| Decommissioning liability               | 10,161               | 4,132                           | 14,293               |
| Non-capital losses                      | 93,805               | (19,166)                        | 74,639               |
| Financing liability                     | 20,632               | 159                             | 20,791               |
| Other                                   | 22,239               | (1,064)                         | 21,175               |
|                                         | 146,837              | (15,939)                        | 130,898              |
| <b>Deferred income tax liabilities:</b> |                      |                                 |                      |
| Property, plant and equipment           | (321,427)            | (20,749)                        | (342,176)            |
| Derivative asset/liability              | (26,255)             | 890                             | (25,365)             |
| Other                                   | (577)                | 163                             | (414)                |
|                                         | (348,259)            | (19,696)                        | (367,955)            |
| <b>Deferred income tax liability</b>    | <b>(201,422)</b>     | <b>(35,635)</b>                 | <b>(237,057)</b>     |

The estimated tax pools available at December 31, 2024 are as follows:

|                                                               |                  |
|---------------------------------------------------------------|------------------|
| Canadian development expenses                                 | 262,386          |
| Canadian exploration expenses                                 | 76,156           |
| Canadian oil and gas property expenses                        | 307,697          |
| Non-capital losses                                            | 396,312          |
| Undepreciated capital cost                                    | 405,841          |
| Capital losses                                                | 135,369          |
| Scientific research and experimental development expenditures | 32,506           |
| Other                                                         | 6,421            |
|                                                               | <b>1,622,688</b> |

The non-capital loss carry forward balances expire no earlier than 2029.

No deferred tax asset has been recognized for capital losses of \$135 million (December 31, 2023 – \$135 million). Recognition is dependent on the realization of future taxable capital gains.

## 19. Share capital

### (a) Authorized

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

|                                                                       | Common Shares<br>(# of shares) | Share capital<br>(\$000) |
|-----------------------------------------------------------------------|--------------------------------|--------------------------|
| Balance at December 31, 2022                                          | 171,652,768                    | 2,105,013                |
| Shares issued on Performance Share Unit settlements (note 21 (a))     | 3,675,083                      | -                        |
| Contributed surplus transferred on Performance Share Unit settlements | -                              | 6,509                    |
| Shares purchased and cancelled under NCIB                             | (13,102,671)                   | (159,281)                |
| <b>Balance at December 31, 2023</b>                                   | <b>162,225,180</b>             | <b>1,952,241</b>         |
| Issuance of common shares                                             | 5,910,000                      | 62,643                   |
| Shares issued on Performance Share Unit settlements (note 21 (a))     | 1,251,060                      | -                        |
| Contributed surplus transferred on Performance Share Unit settlements | -                              | 3,891                    |
| Shares purchased and cancelled under NCIB                             | (2,454,800)                    | (29,536)                 |
| <b>Balance at December 31, 2024</b>                                   | <b>166,931,440</b>             | <b>1,989,239</b>         |

### (b) Issued

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

For the year ended December 31, 2024, the Corporation issued 1.3 million common shares in connection with Corporation's Performance Award Incentive Plan (note 21(a)).

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

For the year ended December 31, 2024, the Corporation purchased 2.5 million common shares for cancellation for a total of \$21.7 million. Share capital was reduced by \$29.5 million while contributed surplus was increased by \$7.8 million, representing the excess average carrying value of the common shares over the purchase price.

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

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

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

## 20. Non-controlling interest ("NCI")

A reconciliation of the NCI, representing the carrying value of the 8% shareholding of Entropy (note 5) held by outside interests is provided below:

|                                                     | Year ended<br>December 31 |            |
|-----------------------------------------------------|---------------------------|------------|
|                                                     | 2024                      | 2023       |
| Balance, beginning of the year                      | 101                       | 1,425      |
| Net loss and comprehensive loss attributable to NCI | (1,607)                   | (1,324)    |
| <b>Balance, end of year</b>                         | <b>(1,506)</b>            | <b>101</b> |

## 21. Long-term compensation plans

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

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. As at December 31, 2024, no Restricted Share Units have been granted. Performance Share Units vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors.

The following table is a continuity of Performance Share Units:

|                                     | Performance Share Units |
|-------------------------------------|-------------------------|
| Balance at December 31, 2022        | <b>3,982,946</b>        |
| Granted                             | 956,920                 |
| Settled                             | (2,012,178)             |
| Forfeited                           | (108,274)               |
| <b>Balance at December 31, 2023</b> | <b>2,819,414</b>        |
| Granted                             | 882,858                 |
| Settled                             | (1,191,708)             |
| Forfeited                           | (178,864)               |
| <b>Balance at December 31, 2024</b> | <b>2,331,700</b>        |

On March 28, 2024, 1.2 million Performance Share Units vested, of which, 0.9 million were settled with the issuance of 1.3 million common shares, while 0.3 million were settled in cash. Contributed surplus was reduced by \$1.1 million related to the cash settlement of Performance Share Units, representing the share-based compensation expense accumulated in contributed surplus.

## 21. Long-term compensation plans (continued)

### (b) Share-based compensation expense

Share-based compensation expense after capitalization for the years ended December 31, 2024 and 2023 are as follows:

|                                         | Year ended<br>December 31 |              |
|-----------------------------------------|---------------------------|--------------|
|                                         | 2024                      | 2023         |
| Total share-based compensation          | 4,950                     | 8,788        |
| Capitalized (note 11)                   | (1,058)                   | (2,242)      |
| <b>Share-based compensation expense</b> | <b>3,892</b>              | <b>6,546</b> |

### (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 17) until eventually settled in cash.

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

|                                | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|--------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year | 6,687                           | 9,277                           |
| Performance Award expense      | 543                             | 3,822                           |
| Interest expense               | 61                              | 43                              |
| Performance Awards settled     | (4,979)                         | (6,455)                         |
| <b>Balance, end of year</b>    | <b>2,312</b>                    | <b>6,687</b>                    |
| Current                        | 1,074                           | 5,350                           |
| Non-current                    | 1,238                           | 1,337                           |

### (d) Deferred Share Units ("DSU")

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

The following table is a continuity of Deferred Share Units:

|                                     | Deferred Share Units |
|-------------------------------------|----------------------|
| Balance at December 31, 2022        | <b>689,310</b>       |
| Granted                             | 52,218               |
| Settled                             | (204,848)            |
| Balance at December 31, 2023        | <b>536,680</b>       |
| Granted                             | 69,627               |
| Settled                             | (112,498)            |
| <b>Balance at December 31, 2024</b> | <b>493,809</b>       |

## 21. Long-term compensation plans (continued)

### (d) Deferred Share Units (continued)

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:

|                                                 | Year ended<br>December 31, 2024 | Year ended<br>December 31, 2023 |
|-------------------------------------------------|---------------------------------|---------------------------------|
| Balance, beginning of the year                  | 4,579                           | 6,528                           |
| Granted                                         | 672                             | 449                             |
| Revaluation of outstanding Deferred Share Units | 576                             | (663)                           |
| Settled                                         | (958)                           | (1,735)                         |
| <b>Balance, end of year</b>                     | <b>4,869</b>                    | <b>4,579</b>                    |

## 22. 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:

|                                                             | Year ended<br>December 31 |             |
|-------------------------------------------------------------|---------------------------|-------------|
|                                                             | 2024                      | 2023        |
| Net income attributable to Advantage shareholders           |                           |             |
| Basic and diluted                                           | 21,719                    | 101,597     |
| Weighted average shares outstanding                         |                           |             |
| Basic                                                       | 163,954,619               | 166,552,941 |
| Performance Share Units                                     | 2,866,217                 | 5,279,869   |
| Diluted                                                     | 166,820,836               | 171,832,810 |
| Net income per share attributable to Advantage shareholders |                           |             |
| Basic (\$/share)                                            | 0.13                      | 0.61        |
| Diluted (\$/share)                                          | 0.13                      | 0.59        |

In computing diluted per share amounts at December 31, 2024, the common shares potentially issuable on the conversion of the convertible debentures (note 14) were excluded as they were determined to be anti-dilutive.

In computing diluted per share amounts at December 31, 2024, the Entropy common shares potentially issuable on the conversion of the unsecured debentures were excluded as they were determined to be anti-dilutive. If the aggregate principal balance of unsecured debentures were converted at December 31, 2024, Advantage's ownership would have been 68% (December 31, 2023 – 87%).

## 23. Revenues

### (a) Natural gas and liquids sales

Advantage's revenue is comprised of natural gas, crude oil, condensate and NGLs sales to multiple customers. For the years ended December 31, 2024 and 2023, natural gas and liquids sales were as follows:

|                                      | Year ended<br>December 31 |                |
|--------------------------------------|---------------------------|----------------|
|                                      | 2024                      | 2023           |
| Crude oil                            | 186,896                   | 93,330         |
| Condensate                           | 39,723                    | 42,047         |
| NGLs                                 | 65,289                    | 61,856         |
| <b>Liquids</b>                       | <b>291,908</b>            | <b>197,233</b> |
| Natural Gas                          | 251,387                   | 343,867        |
| <b>Natural gas and liquids sales</b> | <b>543,295</b>            | <b>541,100</b> |

At December 31, 2024, receivables from contracts with customers, which are included in trade and other receivables, were \$63.2 million (December 31, 2023 - \$42.4 million).

Advantage markets its natural gas and liquids production to major North American marketers, four of which each account for greater than 10% of natural gas and liquids sales. These customers account for 26%, 22%, 18%, and 10%, respectively, of the Corporation's total natural gas and liquids sales.

### (b) Sales of purchased natural gas

|                                           | Year ended<br>December 31 |              |
|-------------------------------------------|---------------------------|--------------|
|                                           | 2024                      | 2023         |
| Sales of purchased natural gas            | -                         | 3,124        |
| Natural gas purchases                     | -                         | (3,371)      |
| <b>Net sales of purchased natural gas</b> | <b>-</b>                  | <b>(247)</b> |

### (c) Processing and other income

|                                          | Year ended<br>December 31 |              |
|------------------------------------------|---------------------------|--------------|
|                                          | 2024                      | 2023         |
| Processing income                        | 5,467                     | 7,612        |
| Other                                    | 1,340                     | 15           |
| <b>Total processing and other income</b> | <b>6,807</b>              | <b>7,627</b> |

## 24. General and administrative expense

|                                                              | Year ended<br>December 31 |               |
|--------------------------------------------------------------|---------------------------|---------------|
|                                                              | 2024                      | 2023          |
| Personnel                                                    | 31,027                    | 24,066        |
| Revaluation of outstanding Deferred Share Units (note 21(d)) | 576                       | (663)         |
| Professional fees                                            | 1,895                     | 1,739         |
| Information technology cost                                  | 3,023                     | 2,253         |
| Office rent and administration cost                          | 3,043                     | 2,567         |
| Total general and administrative                             | 39,564                    | 29,962        |
| Capitalized (note 11)                                        | (6,480)                   | (5,325)       |
| <b>General and administrative expense</b>                    | <b>33,084</b>             | <b>24,637</b> |

## 25. Finance expense

|                                                                  | Year ended<br>December 31 |               |
|------------------------------------------------------------------|---------------------------|---------------|
|                                                                  | 2024                      | 2023          |
| Interest on bank indebtedness (note 13)                          | 32,329                    | 18,932        |
| Interest income                                                  | (1,198)                   | (1,446)       |
| Interest on financing liability (note 15)                        | 8,272                     | 8,452         |
| Interest on provisions and other liabilities (note 17(b), 21(c)) | 221                       | 135           |
| Interest on unsecured debentures (note 16)                       | -                         | 1,693         |
| Interest paid-in-kind on unsecured debentures (note 16)          | 5,193                     | 807           |
| Interest on convertible debentures (note 14)                     | 3,860                     | -             |
| Accretion on convertible debentures (note 14)                    | 2,016                     | -             |
| Accretion on decommissioning liability (note 17(c))              | 2,141                     | 1,444         |
| Accretion on unsecured debentures (note 16)                      | 1,232                     | 573           |
| Capitalized borrowing cost (note 11)                             | (1,646)                   | (500)         |
| <b>Total finance expense</b>                                     | <b>52,420</b>             | <b>30,090</b> |

## 26. Related party transactions

### (a) Key management compensation

The compensation paid or payable to officers and directors is as follows:

|                                                                | Year ended<br>December 31 |               |
|----------------------------------------------------------------|---------------------------|---------------|
|                                                                | 2024                      | 2023          |
| Salaries, director fees and short-term benefits                | 8,428                     | 5,594         |
| Share-based compensation and Performance Awards <sup>(1)</sup> | 3,481                     | 6,602         |
|                                                                | <b>11,909</b>             | <b>12,196</b> |

<sup>(1)</sup> Represents that total share-based compensation expense, before capitalization, for key management personnel.

As at December 31, 2024, there is a commitment of \$8.5 million (December 31, 2023 – \$5.3 million) related to change of control or termination of employment of officers.

## 27. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

|                                     | Year ended<br>December 31 |               |
|-------------------------------------|---------------------------|---------------|
|                                     | 2024                      | 2023          |
| Source (use) of cash:               |                           |               |
| Trade and other receivables         | (29,810)                  | 39,438        |
| Prepaid expense and deposits        | 6,618                     | (2,005)       |
| Trade and other accrued liabilities | 46,003                    | (14,199)      |
| Inventory                           | 620                       | (4,842)       |
| Deferred revenue                    | (964)                     | -             |
| Performance Awards                  | (4,375)                   | (2,590)       |
| Deferred Share Units                | 290                       | (1,949)       |
|                                     | <b>18,382</b>             | <b>13,853</b> |
| Related to operating activities     | (20,804)                  | 13,818        |
| Related to investing activities     | 39,186                    | 35            |
|                                     | <b>18,382</b>             | <b>13,853</b> |

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

|                                                              | Year ended<br>December 31 |                 |
|--------------------------------------------------------------|---------------------------|-----------------|
|                                                              | 2024                      | 2023            |
| <b>Cash flows</b>                                            |                           |                 |
| Common shares repurchased (note 19)                          | (21,739)                  | (117,343)       |
| Common shares issued (note 19)                               | 65,010                    | -               |
| Issuance costs on shares issued (note 19)                    | (2,905)                   | -               |
| Draws on credit facility (note 13)                           | 735,000                   | 140,000         |
| Repayment of credit facility (note 13)                       | (475,000)                 | (105,000)       |
| Bankers' acceptance and other fees (note 13)                 | (15,128)                  | (17,448)        |
| Proceeds from unsecured debentures (note 16)                 | 55,000                    | 15,000          |
| Issuance costs on unsecured debentures (note 16)             | (3,528)                   | (1,167)         |
| Proceeds from convertible debentures (note 14)               | 143,750                   | -               |
| Issuance costs on convertible debentures (note 14)           | (6,482)                   | -               |
| Proceeds from financing liability (note 15)                  | -                         | 2,500           |
| Financing payments (note 15)                                 | (13,086)                  | (12,760)        |
| Lease payments (note 17(b))                                  | (945)                     | (691)           |
| <b>Total cash flows</b>                                      | <b>459,947</b>            | <b>(96,909)</b> |
| <b>Non-cash changes</b>                                      |                           |                 |
| Amortization of bankers' acceptance and other fees (note 13) | 12,698                    | 18,102          |
| Lease interest expense (note 17(b))                          | 160                       | 92              |
| Financing liability interest expense (note 15)               | 8,272                     | 8,452           |
| <b>Total non-cash changes</b>                                | <b>21,130</b>             | <b>26,646</b>   |
| <b>Cash provided by (used in) financing activities</b>       | <b>481,077</b>            | <b>(70,263)</b> |

## 28. Commitments

At December 31, 2024 Advantage had commitments relating to building operating costs of \$2.2 million, processing commitments of \$188.5 million and transportation commitments of \$671.8 million. The estimated remaining payments are as follows:

| (\$ millions)                          | Payments due by period |              |              |              |             |             |              |
|----------------------------------------|------------------------|--------------|--------------|--------------|-------------|-------------|--------------|
|                                        | Total                  | 2025         | 2026         | 2027         | 2028        | 2029        | Beyond       |
| Building operating cost <sup>(1)</sup> | 2.2                    | 0.8          | 0.8          | 0.6          | -           | -           | -            |
| Processing                             | 188.5                  | 24.8         | 28.1         | 28.1         | 28.2        | 26.4        | 52.9         |
| Transportation                         | 671.8                  | 102.3        | 87.0         | 76.6         | 47.7        | 38.5        | 319.7        |
| <b>Total commitments</b>               | <b>862.5</b>           | <b>127.9</b> | <b>115.9</b> | <b>105.3</b> | <b>75.9</b> | <b>64.9</b> | <b>372.6</b> |

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

**Advantage Energy Ltd.**  
**Supplemental Financial Information**  
**Exhibit to the December 31, 2024 Consolidated Financial Statements**

The following ratio has been calculated on a consolidated basis for the twelve-month period ended December 31, 2024. This ratio is based on Advantage Energy Ltd.'s Consolidated Financial Statements that are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

|                                           | <b>Twelve months ended<br/>December 31, 2024</b> |
|-------------------------------------------|--------------------------------------------------|
| Earnings Coverage Ratio <sup>(1)(2)</sup> | 1.6x                                             |

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

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

## ADVISORY

### Forward-Looking Information and Other Advisories

This document 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 document include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the focus of the Corporation's 2025 capital program; Advantage's corporate strategy of maximizing its AFF per share without compromising its balance sheet; the focus of the Corporation's updated three-year plan and the anticipated benefits to be derived therefrom; the anticipated amount of free cash flow that the Corporation will generate over the next three years; expectations that the Corporation is strongly positioned to benefit from an anticipated resurgence in gas markets and industry consolidation; the Corporation's expectations that all free cash flow from operations will be allocated to debt reduction and that a portion of the proceeds from potential non-core asset divestitures may be used to buy back shares; the Corporation's net debt target and the expectation that the Corporation is on track to achieve its net debt target in 2025; Advantage's focus on growing adjusted funds flow per share; the Corporation's 2025 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; the anticipated costs of the Glacier Phase 2 capture equipment, compression, transportation and storage wells and the installation of the modular power plant providing power and heat for the Glacier Gas Plant and Entropy's CCS equipment; the Corporation's anticipated total annual production in 2025; the incurred net capital expenditures that the Corporation estimates it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the Corporation's forecasted 2025 natural gas market exposure including the anticipated effective production rate; the anticipated timing of when the construction of the Corporation's gas plant at Progress will resume and the expectation that it will not impact forecasted production; the Corporation's development plan for the Acquired Assets in 2025 and the anticipated average daily production rate thereof; the Corporation's commodity risk management program and financial risk management program and the anticipated benefits to be derived therefrom; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2028; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; Advantage's ability to actively manage its portfolio in conjunction with its future development plans and its ability to ensure that the Corporation is properly diversified into multiple markets; that the Corporation will monitor its capital structure and make adjustments according to market conditions; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the terms of the Corporation's Credit Facilities, including the timing of the next review of the Credit Facilities and the Corporation's expectations regarding the extension of the Credit Facilities at each annual review; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they

become due and the means for satisfying such future obligations; the terms of Entropy's unsecured debentures; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; Entropy's business plan and the anticipated benefits to be derived therefrom; statements related to reserves; the statements under "critical accounting estimates" in the 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: the risk that (i) the U.S. and/or Canadian governments implement, maintain or increase the rate or scope of new tariffs, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed by the U.S. on other countries and responses thereto could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Corporation; risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; delays in timing of facility installation; risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations; delays in obtaining stakeholder and regulatory approvals; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the risk that the Credit Facilities may not be renewed at each annual review; competition from other producers; the risk that the Corporation may not maximize its AFF per share without compromising its balance sheet; the risk that the Corporation may not achieve its three-year plan or realize the benefits anticipated therefrom; the risk that the Corporation may not benefit from a resurgence in gas markets or industry consolidation; the risk that the Corporation's actual 2025 financial and operating results may not be consistent with its 2025 guidance; the risk that the Corporation may not achieve its net debt target in 2025, or at all; the risk that the Corporation's 2025 annual average production may be less than anticipated; the risk that the Corporation may not have sufficient financial resources to acquire its common shares pursuant to an NCIB in the future; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; that Entropy's existing planned capital projects may not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; the risk that the Corporation's commodity risk management program and financial risk management program may not achieve the results anticipated; the risk that the Corporation may be subject to cash taxes prior to calendar 2028; the risk that the costs of the Glacier Phase 2 capture equipment, compression, transportation and storage wells and the installation of the modular power plant providing power and heat for the Glacier Gas Plant and Entropy's CCS equipment may be greater than anticipated; the risk that the construction of the Corporation's gas plant at Progress may not resume when anticipated, or at all, and that it may have a greater impact on production than anticipated; the risk that the

operating results of the Acquired Assets in 2025 may not meet expectations; the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that Advantage may not actively manage its portfolio in conjunction with its future development plans or ensure that the Corporation is properly diversified into multiple markets; the risk that the Corporation may not allocate all of its free cash flow in 2025 towards the Corporation's share buyback program; the risk that the Corporation may not satisfy all of its liabilities and commitments and meet its future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than anticipated; the risk that Entropy's future projects may have a greater capital cost than anticipated; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at [www.sedarplus.ca](http://www.sedarplus.ca) and [www.advantageog.com](http://www.advantageog.com). Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this document, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: the potential impact of tariffs that may be implemented by the U.S. and Canadian governments, and that neither the U.S. nor Canada (i) increases the rate or scope of such tariffs, or imposes new tariffs, on the import of goods from one country to the other, including on oil and natural gas, and/or (ii) imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Entropy's planned capital projects will lead to completed CCS projects; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop its crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the Corporation will have sufficient financial resources to purchase its shares under NCIBs in the future; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects and that such reserves exist in the quantities predicted or estimated and can be profitably produce in the future.

In addition to the assumptions listed above, Advantage has made the following assumptions with respect to the three-year plan contained in this document, unless otherwise specified:

- Production growth of approximately 16% in 2025 and a long-term average production growth rate of up to 10% through 2027;
- Proportion of liquids representing approximately 15% to 16% for 2025 to 2027;
- Capital spending is expected to average around \$300 million per year for 2025 to 2027;
- Commodity prices utilizing forward pricing assumptions at November 21, 2024: WTI US\$/bbl (2025–\$69, 2026–\$66, 2027–\$65), AECO \$CDN/GJ (2025–\$2.25, 2026–\$2.95, 2027–\$3.00), FX \$CDN/\$US (2025–1.39, 2026–1.37, 2027–1.36);
- Current hedges; and
- No cash income taxes within the three-year plan due to over \$1 billion in high-quality tax pools (See note 18 "Income taxes" in Advantage's Consolidated Financial Statements for the year ended December 31, 2024

for estimated tax pools available). Tax pools are increased for net capital expenditures and reduced for tax pools used to reduce taxable income in a specific year.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document 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 document and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

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

This document 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 anticipated amount of free cash flow that the Corporation will generate over the next three years; the Corporation's expectations that all free cash flow will be allocated to its share buyback program; the Corporation's net debt target and the expectation that the Corporation is on track to achieve its net debt target in 2025; the Corporation's 2025 capital 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 anticipated costs of the Glacier Phase 2 capture equipment, compression, transportation and storage wells and the installation of the modular power plant providing power and heat for the Glacier Gas Plant and Entropy's CCS equipment; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2028; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this document 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 document was made as of the date of this document 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 document is not conclusive and is subject to change.

## **Oil and Gas Information**

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.

This document contains metrics commonly used in the oil and natural gas industry which have been prepared by management such as "operating income", "operating netback", "net asset value", "net asset value per share", "reserve additions", "reserves per share", "reserve life index" and "F&D costs" which are described herein and below under "Specified Financial Measures" and under "Specified Financial Measures" in the MD&A (the MD&A forms part of this document). 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 this document, should not be relied upon for investment or other purposes.

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

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2025 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2025 expected drilling and completion activities.

McDaniel was engaged as an independent qualified reserve evaluator to evaluate Advantage's year-end reserves as of December 31, 2024 in accordance with NI 51-101 and the COGE Handbook. Reserves are stated on a gross (before royalties) working interest basis unless otherwise indicated. Additional reserve information as required under NI 51-101 are included in our Annual Information Form which is available at [www.sedarplus.ca](http://www.sedarplus.ca) and [www.advantageog.com](http://www.advantageog.com). Advantage's year-end reserves as of December 31, 2023 and December 31, 2022 disclosed in this document were evaluated by Sproule Associates Limited in accordance with NI 51-101 and the COGE Handbook and using the IQRE average product price forecast effective December 31, 2023 and December 31, 2022, respectively. The recovery and reserve estimates of reserves provided in this document are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein. It should not be assumed that the discounted future net revenue estimated by Sproule and disclosed herein represents the fair market value of the reserves.

References to natural gas, crude oil and condensate and NGLs production in this document refer to conventional natural gas, shale gas, light crude oil and medium crude oil and natural gas liquids, respectively, product types as defined in NI 51-101.

## **Specified Financial Measures**

Throughout this document and in other documents disclosed by the Corporation, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These specified 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 specified 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. Refer to "Specified Financial Measures" in the MD&A for additional information about certain financial measures, including reconciliations to the nearest GAAP measures, as applicable.

The Corporation has additional specified financial measures, not included in the Corporation's MD&A that have been disclosed in this document, as follows:

### Net Asset Value

Net asset value is a supplementary financial measure that includes the net present value of the future revenue of its proved plus probable reserves (before income taxes, discounted at 0%, 10% and 15%), working capital (including derivatives), financing liability and bank indebtedness. Additionally, the Corporation discloses net asset value per share, which is determined by dividing net asset value by the basic weighted average shares outstanding of the Corporation. Management believes that net asset value and net asset value per share assist users in assessing the long-term fair value of Advantage's underlying reserves assets after settling its outstanding financial obligations.

### Reserve Additions Replaced

Reserve additions replaced is a supplementary financial measure that is calculated by dividing reserves net volume additions by the current annual production and expressed as a percentage. Management uses this measure to determine the relative change of its reserves base over a period of time.

### Reserves Life Index

Reserves life index is a supplementary financial measure that is calculated by dividing the total volume of reserves by the fourth quarter production rate and expressed in years.

## **Additional Information**

Additional information relating to Advantage can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and the Corporation's website at [www.advantageog.com](http://www.advantageog.com). Such other information includes the annual information form, the management information circular, press releases, material change reports, material contracts and agreements, and other financial reports. The annual information form will be of particular interest for current and potential shareholders as it discusses a variety of subject matter including the nature of the business, description of our operations, general and recent business developments, risk factors, reserves data and other oil and gas information.

March 25, 2025

## ABBREVIATIONS

### Crude Oil and Natural Gas Liquids

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

### Natural Gas

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

### Other

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

## **Directors <sup>(5)</sup>**

Jill T. Angevine <sup>(1)(3)(4)</sup>  
Stephen E. Balog <sup>(2)(4)</sup>  
Michael Belenkie  
Deirdre M. Choate <sup>(1)(2)(3)(4)</sup>  
Donald M. Clague <sup>(1)(2)(3)(4)</sup>  
John L. Festival <sup>(1)(2)(3)</sup>  
Norman W. MacDonald <sup>(2)(3)(4)</sup>  
Andy J. Mah <sup>(2)</sup>  
Janine J. McArdle <sup>(1)(4)</sup>  
David G. Smith <sup>(1)(4)</sup>

<sup>(1)</sup> Member of Audit Committee

<sup>(2)</sup> Member of Reserves and Health, Safety and Environment Committee

<sup>(3)</sup> Member of Compensation Committee

<sup>(4)</sup> Member of Governance & Sustainability Committee

<sup>(5)</sup> Directors as of March 4, 2025, the approval date of the 2024 reserves and financial statements.

## **Officers**

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

## **Corporate Secretary**

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

## **Auditors**

PricewaterhouseCoopers LLP

## **Bankers**

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

## **Independent Reserve Evaluators**

McDaniels & Associates Consultants Ltd.

## **Legal Counsel**

Burnet, Duckworth and Palmer LLP

## **Transfer Agent**

Computershare Trust Company of Canada

## **Corporate Office**

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

## **Contact Us**

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Visit our website at [www.advantageog.com](http://www.advantageog.com)

## **Toronto Stock Exchange Trading Symbols**

AAV: Common Shares  
AAV.DB: Debentures



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