ADVANTAGE ENERGY LTD.

Q3

2024 Third Quarter Report

For the three and nine months ended September 30, 2024 and 2023

MESSAGE TO SHAREHOLDERS

Advantage Announces Third Quarter 2024 Financial and Operating Results, 2024 Capital Spending Reduction

Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report 2024 third quarter financial and operating results including record production, strong liquids performance, and lower operating costs.

2024 Third Quarter Financial Highlights

- Cash provided by operating activities of $46.7 million.
- Adjusted funds flow ("AFF")[a] of $54.7 million or $0.33/share[a] for Advantage[b] and $52.3 million or $0.31/share[a] consolidated.
- Cash used in investing activities was $52.8 million.
- Net capital expenditures[a] were $54.9 million for Advantage[b] and $66.7 million consolidated.
- Net debt[a] of $621.9 million for Advantage[b] and $694.0 million consolidated.

2024 Third Quarter Operating Highlights

- Third quarter average production was 74,371 boe/d, an increase of 12% over the second quarter of 2024 and 16% over third quarter of 2023.
- Natural gas production was 369.3 mmcf/d, an increase of 4% over the second quarter of 2024 and 9% over third quarter of 2023. An average of approximately 5,000 boe/d of dry gas was curtailed during periods of very low AECO prices during the quarter.
- Liquids production was 12,820 bbls/d (8,144 bbls/d oil, 1,055 bbls/d condensate, and 3,621 bbls/d NGLs), an increase of 80% over the second quarter of 2024, and represented 71% of sales revenue.

Acquisition Integration and Development Plan Update

Since the closing of our acquisition in June (see our June 10, 2024 press release), we have focused on integration of the assets and we are pleased with our initial results. Operating costs in the third quarter averaged $5.55/boe, well below our expectation of $6.00/boe, despite having curtailed very low-cost gas volumes at Glacier. In addition, base decline rates[a] of the new assets are trending shallower than expected.

Advantage's initial Charlie Lake drilling program began in September, and includes seven net wells before the end of 2024 targeting development locations with strong economics. Our initial focus for the assets is to keep production steady while generating significant free cash flow, supporting debt reduction. Additional details of our development plan will be provided in December with our 2025 budget.

Construction continues on our 75 mmcf/d Progress 4-21 gas plant, which we expect to be on-stream in the second quarter of 2025. The completion of this facility will unlock significant synergies from the acquisition 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 into 2026 and 2027.

Operational and Financial Discipline, Capital Guidance Update

Glacier is amongst the lowest-cost natural gas assets in North America. However, daily prices at key regional hubs, including at AECO and Empress, fell to as low as $0.05/GJ at times during September and early October. As such, Advantage responsibly chose to curtail production by as much as 130 mmcf/d on certain days to maximize free cash flow and reduce depletion.

Production curtailments by Advantage and a small number of its peers, combined with increasing seasonal demand, supported in a sharp recovery in Western Canadian cash prices in October, which allowed us to restore production to capacity quickly. We expect market conditions for natural gas to improve in 2025 and beyond as a result of growing exports and increasing Western Canadian natural gas demand.

Along with production curtailments, Advantage has been prudently managing its capital program during periods of low natural gas prices by deferring drilling and completions on certain wells that had previously been planned for the second half of 2024. As a result, our 2024 capital spending guidance range has been reduced by $15 million (now $245 million to $275 million) with production guidance unchanged.

On June 21, 2024, Canadian Parliament's Bill C-59 was approved into law, establishing a path for Advantage to receive a credit from the CCUS ITC program. This credit is expected to be accrued against our 2024 capital spending; however, the exact timing of those proceeds is not certain.

Marketing Update

Advantage has hedged approximately 37% of its forecasted natural gas production through the end of 2024, as well as 36% for calendar 2025 and 22% for calendar 2026. Advantage has also hedged approximately 65% of its oil and condensate production in the second half of 2024, as well as 50% in the first half of 2025 and 15% in the second half of 2025.

Looking Forward

Advantage's long-term focus is on maximizing AFF per share[a] growth. As a result of the acquisition, Advantage now expects to exceed our per-share growth targets, so our strategy has temporarily shifted towards maximizing the pace of de-levering, with a focus on achieving our net debt[a] target of $450 million.

Debt reduction is Advantage's top priority, and we are evaluating various options to reach our net debt target more quickly, including non-core asset sales. We anticipate providing investors with an update early this winter. While Advantage is focused on reaching our net debt target as quickly as possible, we may consider opportunistic share buybacks if our share price becomes temporarily disconnected from fundamentals.

Advantage plans to host a virtual Investor Day on December 10, 2024, to discuss our 2025 budget and our refreshed three-year plan.

(a) *Specified financial measure which is not a standardized measure under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 Accounting Standards measure.*

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

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and nine months ended September 30, 2024 and 2023

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of October 24, 2024, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three and nine months ended September 30, 2024 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2024 and the audited consolidated financial statements for the year ended December 31, 2023 (together, the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

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

Financial Highlights	**Three months ended September 30**		**Nine months ended September 30**	
($000, except as otherwise indicated)	**2024**	**2023**	**2024**	**2023**
Financial Statement Highlights				
Natural gas and liquids sales	**139,840**	140,724	**379,818**	393,963
Net income (loss) and comprehensive income (loss)[3]	**(6,490)**	28,314	**4,589**	60,571
per basic share [2]	**(0.04)**	0.17	**0.03**	0.36
per diluted share[2]	**(0.04)**	0.16	**0.03**	0.35
Basic weighted average shares (000)	**166,972**	167,702	**162,941**	167,434
Diluted weighted average shares (000)	**166,972**	172,182	**166,116**	172,979
Cash provided by operating activities	**46,719**	90,376	**161,183**	234,297
Cash provided by (used in) financing activities	**(1,097)**	(3,562)	**458,288**	(18,143)
Cash used in investing activities	**(52,765)**	(49,886)	**(626,523)**	(223,915)
Other Financial Highlights				
Adjusted funds flow [1]	**52,260**	81,862	**160,007**	231,076
per boe [1]	**7.64**	13.86	**8.47**	14.57
per basic share [1][2]	**0.31**	0.49	**0.98**	1.38
per diluted share [1][2]	**0.31**	0.48	**0.96**	1.34
Net capital expenditures [1]	**66,727**	61,234	**637,749**	242,858
Free cash flow (negative) [1]	**(14,668)**	20,628	**(32,468)**	(11,782)
Bank indebtedness	**469,551**	226,127	**469,551**	226,127
Net debt [1][4]	**693,959**	236,311	**693,959**	236,311

(1) Specified financial measure which is not a standardized measure under IFRS Accounting Standards 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 Accounting Standards measure.

(2) Based on basic and diluted weighted average shares outstanding.

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

(4) As at September 30, 2024, net debt was $694.0 million, consisting of $621.9 million with Advantage and $72.1 million with Entropy.

Operating Highlights	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Operating				
Production				
Crude oil (bbls/d)	**8,144**	3,035	**4,615**	2,527
Condensate (bbls/d)	**1,055**	1,368	**1,162**	1,134
NGLs (bbls/d)	**3,621**	3,174	**3,042**	2,913
Total liquids production (bbls/d)	**12,820**	7,577	**8,819**	6,574
Natural gas (Mcf/d)	**369,306**	339,709	**360,791**	309,060
Total production (boe/d)	**74,371**	64,195	**68,951**	58,083
Average realized prices (including realized derivatives)				
Natural gas ($/Mcf)	**1.65**	2.96	**2.10**	3.40
Liquids ($/bbl)	**85.05**	77.91	**83.74**	77.03
Operating Netback ($/boe)				
Natural gas and liquids sales	**20.44**	23.83	**20.10**	24.85
Realized gains on derivatives	**2.44**	1.02	**1.62**	1.84
Processing and other income	**0.15**	0.39	**0.27**	0.32
Net sales of purchased natural gas	**-**	-	**-**	(0.02)
Royalty expense	**(2.83)**	(1.55)	**(1.88)**	(2.03)
Operating expense	**(5.55)**	(3.85)	**(4.67)**	(3.89)
Transportation expense	**(3.88)**	(3.70)	**(3.94)**	(4.10)
Operating netback (1)	**10.77**	16.14	**11.50**	16.97

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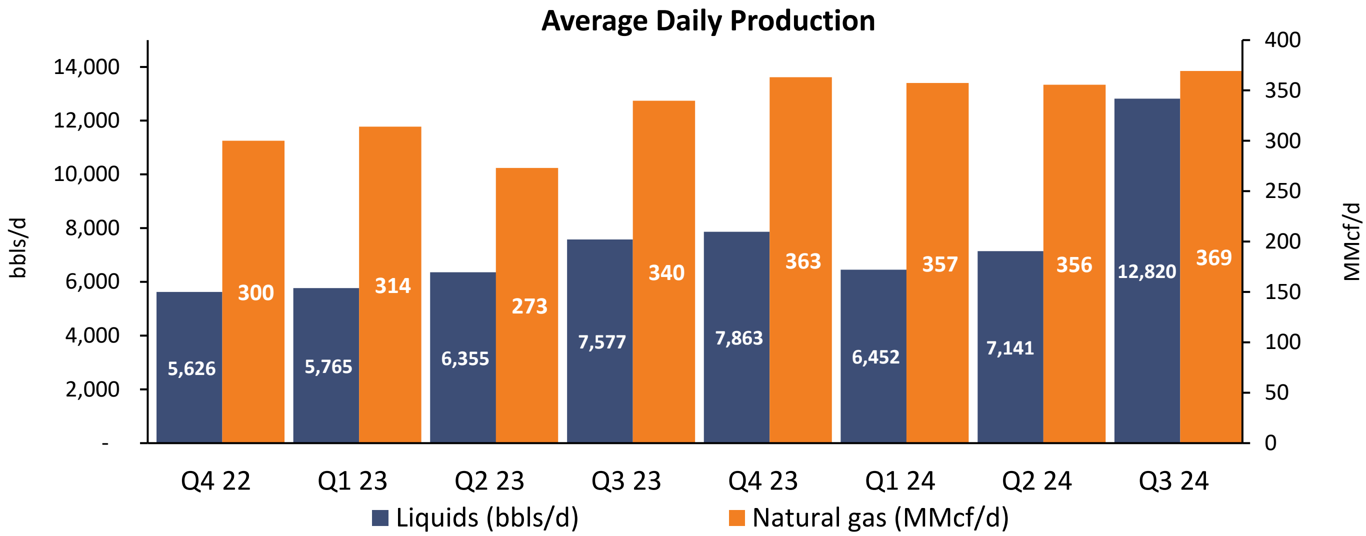
Asset Acquisition

On June 24, 2024, Advantage closed the acquisition of certain Charlie Lake and Montney assets (the Acquired Assets") for cash consideration of $445.3 million, including closing adjustments (the "Acquisition"). The Acquisition capitalizes on a rare opportunity to consolidate a high-quality, liquids-weighted asset that is contiguous with our existing core areas and complementary to our infrastructure platform. Ninety-nine days of operating and financial results from the Acquired Assets have been included in the consolidated financial statements for the nine months ended September 30, 2024 representing the period of time since closing the Acquisition.

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

Production

Average Daily Production	Three months ended September 30 2024	2023	% Change	Nine months ended September 30 2024	2023	% Change
Crude oil (bbls/d)	8,144	3,035	168	4,615	2,527	83
Condensate (bbls/d)	1,055	1,368	(23)	1,162	1,134	2
NGLs (bbls/d)	3,621	3,174	14	3,042	2,913	4
Total liquids production (bbls/d)	**12,820**	**7,577**	**69**	**8,819**	**6,574**	**34**
Natural gas (Mcf/d)	369,306	339,709	9	360,791	309,060	17
Total production (boe/d)	**74,371**	**64,195**	**16**	**68,951**	**58,083**	**19**
Liquids (% of total production)	17	12		13	11	
Natural gas (% of total production)	83	88		87	89	



For the three and nine months ended September 30, 2024, Advantage achieved record total production averaging 74,371 boe/d and 68,951 boe/d, respectively, increases of 16% and 19% compared to the same periods of the prior year, primarily due to production attributed from the Acquired Assets.

Natural gas production for the three and nine months ended September 30, 2024, averaged 369 MMcf/d and 361 MMcf/d, respectively, increases of 9% and 17% compared to the same periods of the prior year. The increase in natural gas production was due to continued development at Glacier, with 7.9 net wells brought on production primarily in the first half of 2024 (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, whereby the Corporation began strategic production curtailments of up to 130 MMcf/d of dry gas in September 2024. Production curtailment levels are being determined on a continuous day-to-day basis to eliminate variable cash costs and defer development capital. The curtailments are primarily dry gas at Glacier, which is amongst the lowest-cost natural gas assets in North America and will not materially impact cash flow. The impact of curtailments on the third quarter natural gas production was approximately 31 MMcf/d.

Liquids production increased to 12,820 bbls/d and 8,819 bbls/d for the three and nine months ended September 30, 2024, increases of 69% and 34% compared to the same periods of the prior year, primarily due to liquids production from the Acquired Assets (see "Cash Used in Investing Activities and Net Capital Expenditures"). The increase in liquids production has had a dramatic impact on sales during the quarter (see "Natural Gas and Liquids Sales").

Depending on the duration of natural gas price volatility and associated curtailments, 2024 production is expected to be within guidance at approximately 70,000 boe/d.

Commodity Prices and Marketing

Average Realized Prices[2]	Three months ended September 30 2024	2023	% Change	Nine months ended September 30 2024	2023	% Change
Natural gas						
Excluding derivatives ($/Mcf)	1.20	2.76	(57)	1.81	3.03	(40)
Including derivatives ($/Mcf)	1.65	2.96	(44)	2.10	3.40	(38)
Liquids						
Crude oil ($/bbl)	95.72	92.74	3	96.37	92.81	4
Condensate ($/bbl)	95.39	95.21	-	97.88	99.05	(1)
NGLs ($/bbl)	54.50	56.28	(3)	57.78	54.76	6
Total liquids excluding derivatives ($/bbl)	84.05	77.91	8	83.26	77.03	8
Total liquids including derivatives ($/bbl)	85.05	77.91	9	83.74	77.03	9
Average Benchmark Prices						
Natural gas [1]						
AECO daily ($/Mcf)	0.69	2.60	(73)	1.46	2.76	(47)
AECO monthly ($/Mcf)	0.81	2.38	(66)	1.43	2.86	(50)
Empress daily ($/Mcf)	0.70	2.59	(73)	1.49	2.76	(46)
Henry Hub ($US/MMbtu)	2.08	2.58	(19)	2.19	2.46	(11)
Emerson 2 daily ($US/MMbtu)	0.68	2.17	(69)	1.34	2.27	(41)
Dawn daily ($US/MMbtu)	1.70	2.27	(25)	1.87	2.35	(20)
Chicago Citygate ($US/MMbtu)	1.76	2.29	(23)	2.07	2.31	(10)
Ventura ($US/MMbtu)	1.75	2.21	(21)	2.20	2.27	(3)
Liquids						
WTI ($US/bbl)	75.16	82.12	(8)	77.54	77.34	-
MSW Edmonton ($/bbl)	97.94	107.94	(9)	98.57	101.45	(3)
Average Exchange rate ($US/$CDN)	0.7333	0.7449	(2)	0.7352	0.7430	(1)

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

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

Liquids

Advantage's realized liquids price excluding derivatives for the three and nine months ended September 30, 2024, was $84.05/bbl and $83.26/bbl, respectively, increases of 8% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices have all remained strong as compared to the prior year largely due to continued strong demand. However, there has been recent pressure on crude oil prices due to a combination of factors including global economic concerns, such as fears of a slowdown in key economies like China, and increases in oil supply, including from U.S. producers and easing output restrictions by some OPEC members. 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 79% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Commodity Prices and Marketing (continued)

Natural gas

Advantage's realized natural gas price excluding derivatives for the three and nine months ended September 30, 2024, was $1.20/Mcf and $1.81/Mcf, respectively, decreases of 57% and 40% 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 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 and early October. As such, Advantage responsibly chose to curtail production by as much as 130 MMcf/d of dry gas on such days to maximize free cash flow and preserve its resource (see "Production").

We expect a modest increase in natural gas pricing in the fourth quarter of 2024 as the heating season begins, although the high supply and inventory levels may limit improvements, particularly in Alberta. Gas market fundamentals appear robust in 2025 as global demand for natural gas continues to rise. Advantage has approximately 8% of its natural gas production exposed to AECO and 20% to Empress natural gas prices for the remainder of 2024 as a result of its market diversification and risk management activities (see "Financial Risk Management").

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

The following table outlines the Corporation's natural gas market exposure for the nine months ended September 30, 2024, excluding hedging.

	Nine months ended September 30, 2024	
Sales Markets	**Production (MMcf/d)[1]**	**Percentage of Natural Gas Production (%)**
AECO	82.8	23%
AECO Other [3]	34.4	10%
Empress	80.1	22%
Emerson	43.1	12%
Dawn	52.7	14%
Chicago	27.7	8%
Ventura	15.0	4%
PJM power price [4]	25.0	7%
Total	**360.8**	**100%**

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

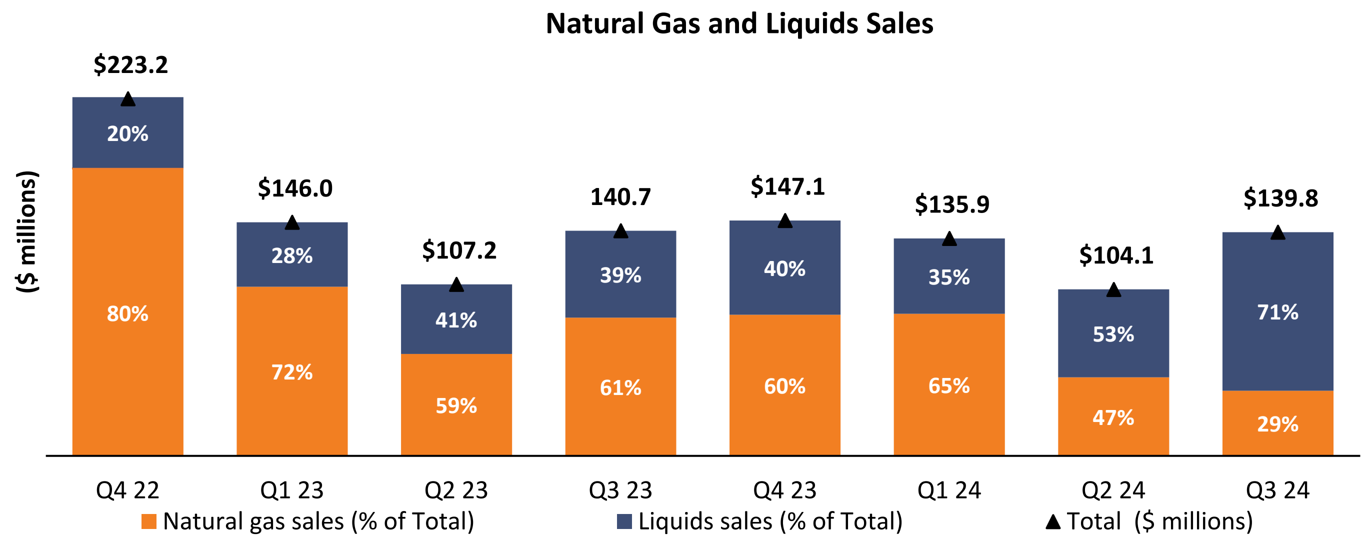
(2) Natural gas market exposure based on contracts in-place at September 30, 2024.

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

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

Natural Gas and Liquids Sales

($000, except as otherwise indicated)	Three months ended September 30 2024	2023	% Change	Nine months ended September 30 2024	2023	% Change
Crude oil	71,717	25,894	177	121,860	64,026	90
Condensate	9,259	11,983	(23)	31,165	30,665	2
NGLs	18,155	16,433	10	48,156	43,550	11
Liquids	**99,131**	**54,310**	**83**	**201,181**	**138,241**	**46**
Natural gas	40,709	86,414	(53)	178,637	255,722	(30)
Natural gas and liquids sales	**139,840**	**140,724**	**(1)**	**379,818**	**393,963**	**(4)**
per boe	20.44	23.83	(14)	20.10	24.85	(19)



Natural gas and liquids sales for the three and nine months ended September 30, 2024, decreased by $0.9 million or 1% and $14.1 million or 4%, respectively, compared to the same corresponding periods of 2023.

For the three months ended September 30, 2024, natural gas sales decreased by $45.7 million or 53%, compared to the corresponding period in 2023, due to a 57% decrease in realized natural gas prices (see "Commodity Prices and Marketing"), partially offset with a 9% increase in natural gas production volumes (see "Production"). Third quarter liquids sales increased by $44.8 million, or 83%, due to a 69% increase in liquids production volumes from the Acquired Assets (see "Production") and an 8% increase in realized liquids prices (see "Commodity Prices and Marketing"). With the changing commodity price dynamics during the quarter and increased liquids attributable to the Acquired Assets, 71% of sales were realized from liquids that represented just 17% of total production.

For the nine months ended September 30, 2024, natural gas sales decreased by $77.1 million or 30%, compared to 2023, due to a 40% decrease in realized natural gas prices (see "Commodity Prices and Marketing"), partially offset by a 17% increase in natural gas production volumes (see "Production"). Liquids sales increased by $62.9 million, or 46%, due to a 34% increase in liquids production volumes primarily from the Acquired Assets (see "Production"), and an 8% increase in realized liquids prices (see "Commodity Prices and Marketing").

Financial Risk Management

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

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three and nine months ended September 30, 2024, and 2023 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Realized gains (losses) on derivatives				
Natural gas	16,345	5,916	31,473	31,548
Crude oil	1,175	-	1,175	-
Foreign exchange	74	5	78	(2,006)
Natural gas embedded derivative	(889)	89	(2,179)	(439)
Total	**16,705**	**6,010**	**30,547**	**29,103**
Unrealized gains (losses) on derivatives				
Natural gas	5,534	533	18,774	(11,031)
Crude oil	22,468	-	17,557	-
Foreign exchange	766	210	(173)	2,407
Natural gas embedded derivative	(21,646)	(3,667)	(30,526)	(25,968)
Unsecured debentures revaluation	(530)	(241)	(798)	(5,971)
Total	**6,592**	**(3,165)**	**4,834**	**(40,563)**
Gains (losses) on derivatives				
Natural gas	21,879	6,449	50,247	20,517
Crude oil	23,643	-	18,732	-
Foreign exchange	840	215	(95)	401
Natural gas embedded derivative	(22,535)	(3,578)	(32,705)	(26,407)
Unsecured debentures revaluation	(530)	(241)	(798)	(5,971)
Total	**23,297**	**2,845**	**35,381**	**(11,460)**

Financial Risk Management (continued)

Natural gas

For the three and nine months ended September 30, 2024, Advantage realized gains on natural gas derivatives of \$16.3 million and \$31.5 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices, which declined significantly throughout 2024.

Advantage recognized an unrealized gain on natural gas derivatives of \$5.5 million and \$18.8 million, for the three and nine months ended September 30, 2024, 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 in their respective periods. The change in the fair value of our outstanding natural gas derivative contracts is primarily due to a decline in forward gas prices and new natural gas derivative contracts entered into during the third quarter that are in an asset position as at September 30, 2024.

Crude oil

In conjunction with the Acquisition, Advantage initiated a disciplined crude oil hedging program by entering into an increased volume of crude oil derivative contracts. For the three and nine months ended September 30, 2024, Advantage realized gains on crude oil derivatives of \$1.2 million due to the settlement of contracts with average derivative contract prices that were above average market prices, which declined during the third quarter of 2024.

Advantage recognized an unrealized gain on crude oil derivatives of \$22.5 million and \$17.6 million for the three and nine months ended September 30, 2024, respectively. The unrealized gains are a result of forward oil prices declining during the third quarter of 2024 in addition to new crude oil derivative contracts entered into during the third quarter that are in an asset position as at September 30, 2024.

Natural gas embedded derivative

Advantage has a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, that commenced in April 2023. Commercial terms of the agreement are based upon a spark-spread price, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread price and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US\$2.50/MMbtu. The Corporation will have realized gains (losses) on the embedded derivative when the realized settlement price differs from US\$2.50/MMbtu, resulting in a realized loss of \$2.2 million for the nine months ended September 30, 2024 (nine months ended September 30, 2023 – \$0.4 million). The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in forward prices for PJM power prices. For the three and nine months ended September 30, 2024 the Corporation recognized an unrealized loss on the natural gas embedded derivative of \$21.6 million and \$30.5 million, respectively, as a result of weakening PJM power prices. As at September 30, 2024, the natural gas embedded derivative was still an asset valued at \$56.2 million.

Financial Risk Management (continued)

Unsecured debentures derivative

The Corporation's subsidiary Entropy Inc. ("Entropy") issued unsecured debentures that have exchange features that meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable number of Entropy common shares (see "Unsecured Debentures"). The Corporation will record unrealized gains (losses) as the valuation of the conversion option changes. For the three and nine months ended September 30, 2024, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of $0.5 million and $0.8 million, respectively, 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 October 1, 2024 and March 31, 2027, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2024 and 2033.

As at September 30, 2024 and October 24, 2024, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	November 2024 to December 2024	20,000 Mcf/d	US $3.41/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	October 2024 to December 2024	40,000 Mcf/d	Henry Hub less US $1.19/Mcf
Natural gas - AECO			
Fixed price swap	October 2024	56,869 Mcf/d	$2.60/Mcf
Fixed price swap	November 2024 to December 2024	90,043 Mcf/d	$3.07/Mcf
Fixed price swap	January 2025 to March 2025	113,738 Mcf/d	$3.13/Mcf
Fixed price swap	April 2025 to October 2025	87,673 Mcf/d	$2.92/Mcf
Fixed price swap	November 2025 to March 2026	123,216 Mcf/d	$3.58/Mcf
Fixed price swap	April 2026 to October 2026	52,130 Mcf/d	$3.20/Mcf
Fixed price swap	November 2026 to March 2027	47,391 Mcf/d	$3.30/Mcf
Natural gas - Dawn			
Fixed price swap	November 2024 to October 2025	37,913 Mcf/d	$4.10/Mcf
Fixed price swap	November 2025 to March 2026	18,956 Mcf/d	$4.66/Mcf
Fixed price swap	April 2026 to October 2026	28,435 Mcf/d	$4.52/Mcf
Fixed price swap	November 2026 to March 2027	9,478 Mcf/d	$4.25/Mcf
Crude oil – WTI NYMEX			
Fixed price swap	November 2024 to December 2024	6,500 bbls/d	US $76.62/bbl
Fixed price swap	January 2025 to June 2025	5,000 bbls/d	US $74.43/bbl(1)
Fixed price swap	July 2025 to December 2025	1,500 bbls/d	US $73.84/bbl

(1) Contract entered into subsequent to September 30, 2024

Financial Risk Management (continued)

Forward rate - CAD/USD

Average rate currency swap	October 2024 to January 2025	US $3,000,000/month	1.3792
Average rate currency swap	February 2025 to July 2025	US $2,000,000/month	1.3793

Processing and Other Income

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Processing and other income ($000)	1,060	2,303	(54)	5,186	5,143	1
per boe	0.15	0.39	(62)	0.27	0.32	(16)

For the three and nine months ended September 30, 2024, the Corporation generated $1.1 million and $5.2 million, respectively, in processing and other income, a decrease of 54% for the three months ended and an increase of 1% for the nine months ended September 30, 2024 compared to the corresponding periods in 2023. The decrease for the three months ended is due to the Acquisition whereby Advantage now owns the Acquired Assets and will no longer be charging a third-party for processing the natural gas at the Glacier Gas Plant. The increase for the nine months ended is due to higher volumes processed for third-parties due to the planned turnaround at the Glacier Gas Plant in 2023.

Net Sales of Purchased Natural Gas

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

During the nine months ended September 30, 2023, the Corporation purchased natural gas volumes to satisfy physical sales commitments during the planned turnaround at the Glacier Gas Plant in 2023.

Royalty Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Royalty expense ($000)	19,338	9,154	111	35,488	32,130	10
per boe	2.83	1.55	83	1.88	2.03	(7)
Royalty rate (%)(1)	13.8	6.5	7.3	9.3	8.2	1.1

(1) Percentage of natural gas and liquids sales.

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

Royalty Expense (continued)

Royalty expense for the three and nine months ended September 30, 2024 increased by $10.2 million and $3.4 million, respectively, compared to the corresponding periods in 2023. The increase in royalty expense was due to significantly higher liquids production from the Acquired Assets (see "Production") as well as higher liquids royalties due to increased liquids prices (see "Commodity Prices and Marketing"), partially offset by lower natural gas royalties due to decreased natural gas prices. The average royalty rate for the third quarter is higher than 2023 as 71% of sales during the quarter was attributed to liquids production that generally attract higher royalty rates.

Operating Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Operating expense ($000)	37,979	22,758	67	88,211	61,729	43
per boe	5.55	3.85	44	4.67	3.89	20

Operating expense for the three and nine months ended September 30, 2024, increased by $15.2 million and $26.5 million, increases of 67% and 43%, compared to the corresponding periods in 2023. The higher operating expense was attributed to higher production, primarily from the Acquired Assets. The third quarter of 2024 was the first full quarter which included operating expense from the Acquired Assets which are liquids-weighted and therefore have higher operating costs as well as higher operating netbacks.

Operating expense per boe for the three and nine months ended September 30, 2024 was $5.55/boe and $4.67/boe, respectively, with Advantage-only operating expense for the quarter, excluding Entropy, at $5.46/boe. Advantage has already started to realize multiple synergies from the newly Acquired Assets with operating costs trending lower at 9% below our guidance for the third quarter.

Transportation Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Natural gas ($000)	20,978	17,259	22	62,200	56,027	11
Liquids ($000)	5,598	4,574	22	12,307	8,912	38
Total transportation expense ($000)	**26,576**	**21,833**	**22**	**74,507**	**64,939**	**15**
per boe	3.88	3.70	5	3.94	4.10	(4)

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three and nine months ended September 30, 2024, increased by $4.7 million and $9.6 million, respectively, increases of 22% and 15% compared to the corresponding periods in 2023. The increases in transportation expense is 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 was $3.88/boe and $3.94/boe for the three and nine months ended September 30, 2024. Transportation expense per boe was generally comparable to the prior year.

Operating Netback

	Three months ended September 30			
	2024		2023	
	$000	per boe	$000	per boe
Natural gas and liquids sales	139,840	20.44	140,724	23.83
Realized gains on derivatives	16,705	2.44	6,010	1.02
Processing and other income	1,060	0.15	2,303	0.39
Royalty expense	(19,338)	(2.83)	(9,154)	(1.55)
Operating expense	(37,979)	(5.55)	(22,758)	(3.85)
Transportation expense	(26,576)	(3.88)	(21,833)	(3.70)
Operating income and operating netback (1)	**73,712**	**10.77**	**95,292**	**16.14**

	Nine months ended September 30			
	2024		2023	
	$000	per boe	$000	per boe
Natural gas and liquids sales	379,818	20.10	393,963	24.85
Realized gains on derivatives	30,547	1.62	29,103	1.84
Processing and other income	5,186	0.27	5,143	0.32
Net sales of purchased natural gas	-	-	(247)	(0.02)
Royalty expense	(35,488)	(1.88)	(32,130)	(2.03)
Operating expense	(88,211)	(4.67)	(61,729)	(3.89)
Transportation expense	(74,507)	(3.94)	(64,939)	(4.10)
Operating income and operating netback (1)	**217,345**	**11.50**	**269,164**	**16.97**

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

For the three and nine months ended September 30, 2024, Advantage's operating income decreased by 23% and 19%, respectively, or $5.37/boe and $5.47/boe. The decrease in the Corporation's operating income and operating netbacks was primarily due to the decrease in natural gas and liquids sales as a result of significantly lower natural gas benchmark prices (see "Commodity Prices and Marketing"). This decrease was partially offset by higher realized gains on derivatives due to significantly lower natural gas benchmark prices (see "Financial Risk Management") and higher netbacks from increased liquids production, particularly attributable to the Acquired Assets (see "Production").

General and Administrative Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
General and administrative expense ($000)	6,696	6,219	8	23,669	17,436	36
per boe	0.98	1.05	(7)	1.25	1.10	14
Employees at September 30				86	61	41

General and administrative ("G&A") expense for the three and nine months ended September 30, 2024, increased by $0.5 million and $6.2 million, respectively. The Corporation's G&A expense has increased modestly for the three months ended due to an increase in employees, including hires associated with the Acquisition and to resource the Entropy business. The Corporation's G&A expense for the nine months ended September 30, 2024 additionally increased due to the settlement of certain Performance Share Units with cash rather than issuing shares.

Total G&A expense incurred by Entropy for the three and nine months ended September 30, 2024 was $2.7 million (three months ended September 30, 2023 - $1.3 million) and $7.1 million (nine months ended September 30, 2023 - $3.9 million), respectively.

Share-based Compensation Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Share-based compensation ($000)	3,033	1,584	91	4,698	6,507	(28)
Capitalized ($000)	(686)	(393)	75	(1,017)	(1,669)	(39)
Share-based compensation expense ($000)	**2,347**	**1,191**	**97**	**3,681**	**4,838**	**(24)**
per boe	0.34	0.20	70	0.19	0.31	(39)

Advantage's long-term compensation plan for staff consists of a cash-based performance award incentive plan (see "General and Administrative Expense") and a share-based Restricted and Performance Award Incentive Plan. Under Advantage's Restricted and Performance Award Incentive Plan, service providers of Advantage are granted Performance Share Units that cliff vest after three years from grant date. Capitalized share-based compensation is attributable to staff involved with the development of capital projects. Advantage's share-based compensation expense for the three months ended September 30, 2024, increased by $1.2 million, or 97%, due to an increase in staff from the Acquisition as well as higher forfeitures in the prior year due to staff retirements. Share-based compensation for the nine months ended September 30, 2024, decreased by $1.2 million, or 24%, due to the effect of realizing a lower performance multiplier than estimated, revising performance multiplier estimates for outstanding Performance Share Units, and forfeitures from employee retirements.

Depreciation and Amortization Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Depreciation and amortization expense ($000)	59,721	39,693	50	146,177	105,156	39
per boe	8.73	6.72	30	7.74	6.63	17

The increase in depreciation and amortization expense for the three and nine months ended September 30, 2024, was attributable to an increased net book value associated with the Corporation's property, plant, and equipment accompanied by increased production (see "Production"). Depreciation and amortization expense per boe increased compared to the prior periods due to the Acquired Assets (see "Cash Used in Investing Activities and Net Capital Expenditures") having a higher depletion rate per boe than the Corporation's other assets as well as depreciation recognized by Entropy of $1.1 million and $4.9 million for the three and nine month period, respectively.

Finance Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Advantage cash finance expense ($000)	14,757	7,215	105	29,884	19,442	54
Entropy cash finance expense ($000)	(142)	350	(141)	(313)	1,126	(128)
Cash finance expense ($000)	14,615	7,565	93	29,571	20,568	44
per boe	2.14	1.28	67	1.57	1.30	21
Paid-in-kind finance expense ($000)	1,062	-	nm	2,463	-	nm
Accretion expense ($000)	2,104	588	258	3,683	1,492	147
Total finance expense ($000)	**17,781**	**8,153**	**118**	**35,717**	**22,060**	**62**
per boe	2.60	1.38	88	1.89	1.39	36

Advantage realized higher cash finance expense during the three and nine months ended September 30, 2024, as a result of increased average outstanding bank indebtedness and higher interest rates when compared to the same periods in 2023 (see "Bank Indebtedness, Credit Facilities and Working Capital"). Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by debt to the trailing four quarters earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities. Additionally, the Corporation incurred $1.8 million and $2.0 million, respectively, of cash finance expense for three and nine months ended September 30, 2024 in connection with the convertible debentures which were issued to finance the Acquisition.

As at September 30, 2024, Entropy's unsecured debentures have an outstanding aggregate principal amount of $74.2 million. The unsecured debentures bear an annual interest rate of 8% that Entropy can elect to pay in cash or pay-in-kind. Any paid-in-kind interest is added to the aggregate principal amount of the unsecured debenture. The unsecured debentures issued by Entropy are non-recourse to Advantage. For the three and nine months ended September 30, 2024, Entropy expensed interest of $1.1 million (three months ended September 30, 2023 - $0.7 million paid in cash) and $2.5 million (nine months ended September 30, 2023 - $1.7 million paid in cash), respectively, that was paid-in-kind (see "Unsecured Debentures").

Taxes

	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Income tax expense ($000)	96	10,168	(99)	6,274	19,511	(68)
Effective tax rate (%)	nm	26.5	nm	64.6	24.7	39.9

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three and nine months ended September 30, 2024, the Corporation recognized a deferred income tax expense of $0.1 million and $6.3 million, respectively. Income tax expense for the nine months ended September 30, 2024 is a result of net income before taxes and non-controlling interest of $9.7 million, combined with non-deductible share-based compensation expense, and valuation allowances applied against Entropy's non-capital losses. As at September 30, 2024, the Corporation had a deferred income tax liability of $246.6 million.

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

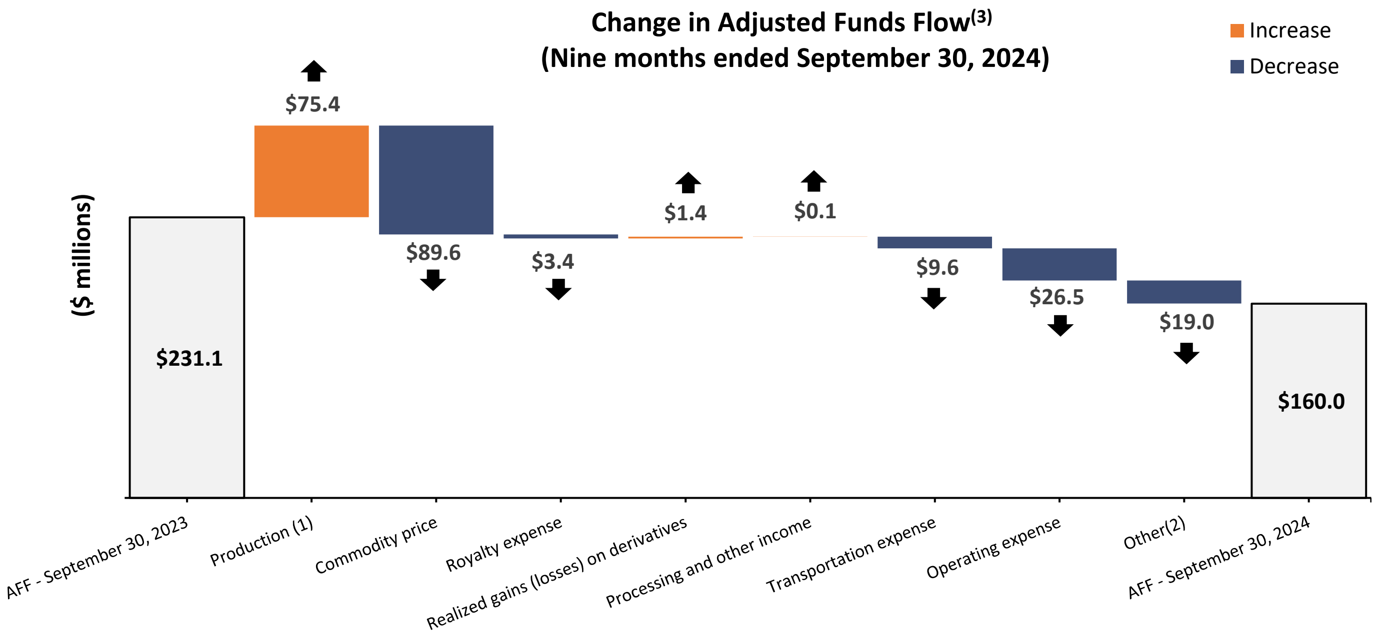
	Three months ended September 30		%	Nine months ended September 30		%
	2024	2023	Change	2024	2023	Change
Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders ($000)	(6,490)	28,314	(123)	4,589	60,571	(92)
per share - basic	(0.04)	0.17	(124)	0.03	0.36	(92)
per share - diluted	(0.04)	0.16	(125)	0.03	0.35	(91)

Advantage recognized a net loss attributable to Advantage shareholders of $6.5 million for the three months ended September 30, 2024, and net income attributable to Advantage shareholders of $4.6 million for the nine months ended. Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders was significantly lower when compared to the same periods of 2023, largely due to lower natural gas and liquids sales attributable to lower natural gas prices (see "Natural gas and liquids sales"), partially offset by higher production (see "Production") and gains on derivatives (see "Financial Risk Management").

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

($000, except as otherwise indicated)	Three months ended September 30 2024	2023	Nine months ended September 30 2024	2023
Cash provided by operating activities	46,719	90,376	161,183	234,297
Expenditures on decommissioning liability	879	1,420	988	1,919
Changes in non-cash working capital	4,662	(9,934)	(2,164)	(5,140)
Adjusted funds flow (1)	**52,260**	**81,862**	**160,007**	**231,076**
Adjusted funds flow per boe (1)	7.64	13.86	8.47	14.57
Adjusted funds flow per share (1)	0.31	0.49	0.98	1.38
Adjusted funds flow per diluted share(1)	0.31	0.48	0.96	1.34

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



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

(2) Other includes net sales of purchased natural gas, G&A expense, transaction cost, finance expense (excluding accretion of decommissioning liability and debentures), foreign exchange gain and settlement of Performance Share Units in cash.

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

For the three and nine months ended September 30, 2024, Advantage realized cash provided by operating activities of $46.7 million and $161.2 million, decreases of $43.7 million and $73.1 million, respectively, when compared to the same periods of 2023. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of $52.3 million and $160.0 million, decreases of $29.6 million and $71.1 million, respectively, when compared to the same periods of 2023. The decreases in cash provided by operating activities and adjusted funds flow were largely due to the decrease in natural gas and liquids sales as a result of lower natural gas prices (see "Commodity Prices and Marketing"), accompanied with the Corporation incurring $3.2 million in transaction cost related to the Acquisition, partially offset by higher total production from the Acquired Assets (see "Production").

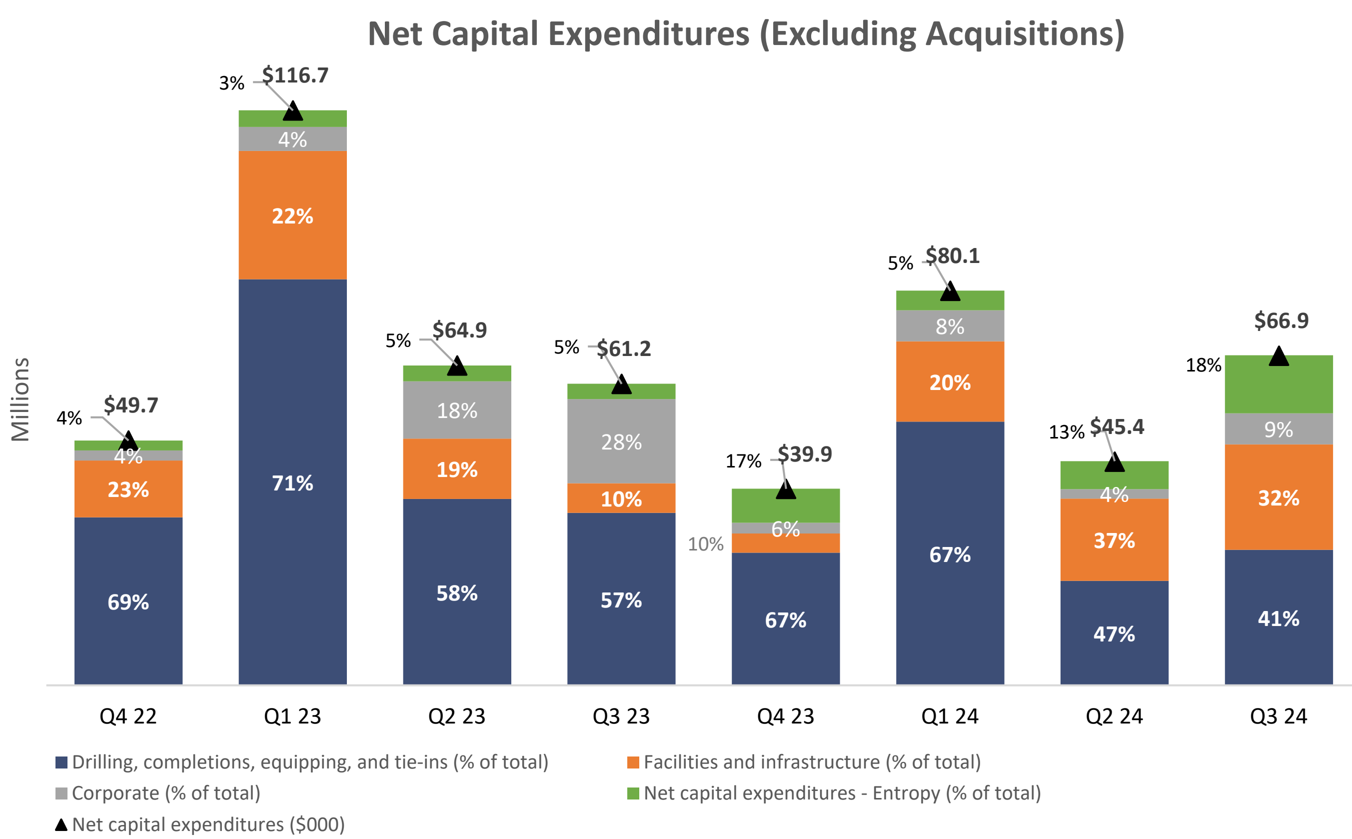
Adjusted funds flow of $52.3 million and $160.0 million for the three and nine months ended September 30, 2024, respectively, includes $54.7 million and $165.7 million attributable to Advantage with $2.4 million and $5.7 million of net expenses attributable to Entropy.

Cash Used in Investing Activities and Net Capital Expenditures

($000)	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Drilling, completions, equipping and tie-ins	27,469	34,970	102,193	155,226
Facilities and infrastructure	21,402	11,619	54,358	49,888
Corporate [2]	6,266	1,439	14,485	17,963
Exploration and development expenditures	**55,137**	**48,028**	**171,036**	**223,077**
Acquisitions	(201)	10,035	445,274	10,035
Net capital expenditures – Advantage[1]	**54,936**	**58,063**	**616,310**	**233,112**
Carbon capture and storage facilities	11,672	2,908	20,516	8,747
Intangible assets	119	263	923	999
Net capital expenditures – Entropy[1]	**11,791**	**3,171**	**21,439**	**9,746**
Net capital expenditures [1]	**66,727**	**61,234**	**637,749**	**242,858**
Changes in non-cash working capital	(13,962)	(11,348)	(11,226)	(18,943)
Cash used in investing activities	**52,765**	**49,886**	**626,523**	**223,915**

(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.



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

Advantage

Advantage incurred $55.1 million and $171.0 million of exploration and development expenditures for the three and nine months ended September 30, 2024.

Advantage has been prudently managing its capital program during periods of low natural gas prices by deferring drilling and completions on certain wells that had previously been planned for the second half of 2024. As a result, our 2024 capital spending guidance range has been reduced by $15 million (now $245 million to $275 million), with production guidance unchanged.

The following table summarizes wells drilled, completed and on production for the three and nine months ended September 30, 2024:

	Three months ended September 30, 2024			Nine months ended September 30, 2024		
(# of wells)	**Drilled Gross (Net)**	**Completed Gross (Net)**	**On production Gross (Net)**	**Drilled Gross (Net)**	**Completed Gross (Net)**	**On production Gross (Net)**
Glacier	2 (2.0)	4 (3.8)	1 (0.9)	7 (6.8)	13 (12.8)	8 (7.9)
Valhalla	2 (0.5)	-	-	2 (0.5)	-	-
Wembley	-	-	3 (3.0)	3 (3.0)	3 (3.0)	3 (3.0)
Progress	-	-	-	-	-	-
	4 (2.5)	**4 (3.8)**	**4 (3.9)**	**12 (10.3)**	**16 (15.8)**	**11 (10.9)**

Glacier

The first three quarters of 2024 were active at our Glacier property with 7 gross (6.8 net) wells drilled, 13 gross (12.8 net) wells completed, and 8 gross (7.9 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 year-to-date to reinforce our low operating cost structure.

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

Valhalla

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

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.

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

Progress

At Progress, site clearing work has begun on our 75 MMcf/d Progress 4-21 gas plant, which we expect to be on-stream in the second quarter of 2025. The completion of this facility will unlock significant synergies from the Acquisition 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.

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 Charlie Lake development plan includes seven net wells before the end of 2024. Our preliminary development plan for the Acquired Assets for 2025 and beyond focuses on holding production levels steady at approximately 14,000 boe/d.

Entropy

Net capital expenditures incurred by Entropy are funded through the issuance of unsecured debentures to investors that have provided Entropy access to an aggregate of up to $500 million in committed capital, of which $74.2 million has been drawn as at September 30, 2024.

Entropy invested $11.8 million and $21.4 million in net capital expenditures during the three and nine months ended September 30, 2024, respectively. Entropy's expenditures were mainly attributable to front-end engineering and design cost and procurement of equipment required for the Glacier Phase 2 project.

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

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

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

Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. 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 production (crude oil, condensate and NGLs) to sales points. Transportation commitments are required to ensure our production is delivered to sales markets and Advantage actively manages our portfolio in conjunction with our future development plans ensuring we are properly diversified to multiple markets. Of our total transportation commitments, $276 million, or 40% is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to $406 million in additional transportation to diversify natural gas production to the Dawn, Empress, Emerson and Chicago markets, with the objective of reducing price volatility and achieving higher operating netbacks (see "Transportation Expense"). Contractual obligations comprise those liabilities to third-parties incurred for the purpose of financing Advantage's business and development, including our bank indebtedness.

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

	Payments due by period						
($ millions)	**Total**	**2024 (3 months)**	**2025**	**2026**	**2027**	**2028**	**Beyond**
Building operating cost [(1)]	2.4	0.2	0.8	0.8	0.6	-	-
Processing	190.9	2.5	24.8	28.1	28.1	28.2	79.2
Transportation	682.0	23.3	97.8	83.2	73.9	46.3	357.5
Total commitments	**875.3**	**26.0**	**123.4**	**112.1**	**102.6**	**74.5**	**436.7**
Performance Awards	5.3	-	1.7	2.0	1.6	-	-
Lease liability	3.5	0.3	1.2	1.1	0.7	0.1	0.1
Financing liability	140.2	3.3	13.0	13.0	13.0	13.1	84.8
Bank indebtedness [(2)]							
- principal	475.0	-	-	475.0	-	-	-
- interest	63.5	9.1	36.3	18.1	-	-	-
Unsecured debentures [(3)]	72.4	-	-	-	-	-	72.4
Convertible debentures[(4)]							
- principal	143.8	-	-	-	-	-	143.8
- interest	34.2	1.8	7.2	7.2	7.2	7.2	3.6
Total contractual obligations	**937.9**	**14.5**	**59.4**	**516.4**	**22.5**	**20.4**	**304.7**
Total future payments	**1,813.2**	**40.5**	**182.8**	**628.5**	**125.1**	**94.9**	**741.4**

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

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

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

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

Liquidity and Capital Resources

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

($000, except as otherwise indicated)	As at September 30, 2024	As at December 31, 2023
Bank indebtedness	469,551	212,854
Aggregate principal balance of convertible debentures[3]	143,750	-
Aggregate principal balance of unsecured debentures [2]	74,239	40,807
Working capital deficit (surplus) [1]	6,419	(18,651)
Net debt [1]	**693,959**	**235,010**
Shares outstanding	166,972,093	162,225,180
Shares closing market price ($/share)	9.45	8.53
Market capitalization	**1,577,886**	**1,383,781**
Total capitalization	**2,271,845**	**1,618,791**

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

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

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

As at September 30, 2024, net debt was $694.0 million, consisting of $621.9 million with Advantage and $72.1 million with Entropy. Advantage's net debt of $621.9 million has increased due to the funding of the Acquisition completed in the second quarter of 2024 with a combination of bank indebtedness from the upsized Credit Facilities, the issuance of the Debentures (as defined herein), and an issuance of common shares. Advantage has a $650 million Credit Facility of which $170.1 million or 26% was available after deducting outstanding letters of credit of $4.9 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 $101.7 million of adjusted funds flow from the Acquired Assets for the prior nine months, the ratio would have been 1.8. The Corporation's Credit Facilities and adjusted funds flow were utilized to fund Advantage's exploration and development expenditures of $171.0 million and repurchase and cancel 2.4 million common shares for $21.3 million (see "Shareholders' Equity"). Entropy's net capital expenditures of $21.4 million is separately funded through the issuance of unsecured debentures to investors that have provided Entropy access to an aggregate of up to $500 million in committed capital, of which $74.2 million has been drawn as at September 30, 2024. Unsecured debentures issued by Entropy are non-recourse to Advantage.

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

Bank Indebtedness, Credit Facilities and Working Capital

As at September 30, 2024, Advantage had bank indebtedness outstanding of $469.6 million, an increase of $256.7 million since December 31, 2023. Advantage’s Credit Facilities have a borrowing base of $650 million that is collateralized by a $2 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") as determined by the Alberta Energy Regulator ("AER") is not less than 2.0 which was met at September 30, 2024. The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based on their independent commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. The Credit Facilities comprise a $60 million extendible revolving operating loan facility from one financial institution and a $590 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a term of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2026 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of $4.9 million outstanding at September 30, 2024 (December 31, 2023 - $12.9 million). The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at September 30, 2024 and December 31, 2023.

Advantage had a working capital deficit of $6.4 million as at September 30, 2024, a reduction as compared to a surplus of $18.7 million at December 31, 2023, largely due to the decrease in trade and other receivables related to lower commodity prices, and the timing of net capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other accrued liabilities. Working capital varies primarily due to the timing of such items, the current level of business activity including our capital expenditure program, commodity price volatility, and seasonal fluctuations. We do not anticipate any problems in meeting future obligations as they become due as they can be satisfied with cash provided by operating activities and our available Credit Facilities.

Unsecured Debentures

The Corporation’s subsidiary Entropy has entered into two investment agreements with investors who provided capital commitments of $300 million and $200 million, respectively (the "Investment Agreements"). In connection with the Investment Agreements, Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the Investment Agreements, Entropy and the investors have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of $10.00 per share and $12.75 per share, respectively, subject to adjustment in certain circumstances. The investors have the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an Initial Public Offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor’s pro rata share of the fair market value of Entropy. Each unsecured debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. Any paid-in-kind interest is added to the aggregate principal, subject to certain limitations. As at September 30, 2024, Entropy’s unsecured debentures have an outstanding aggregate principal balance of $74.2 million (December 31, 2023 - $40.8 million).

Unsecured Debentures (continued)

During 2024, Entropy issued unsecured debentures for gross proceeds of $30.0 million (December 31, 2023 - $15.0 million) and incurred $2.3 million of issuance cost (December 31, 2023 - $1.2 million). For the nine months ended September 30, 2024, Entropy incurred interest of $3.4 million which was paid-in kind (September 30, 2023 - $1.7 million paid in cash).

Convertible Debentures

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

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

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

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

The fair value of the Debentures at September 30, 2024 was $143.8 million using quoted market prices on the Toronto Stock Exchange (“TSX”).

Other Liabilities

Advantage has a 15-year take-or-pay volume commitment agreement for 50 MMcf/d of capacity at a fee of $0.696/Mcf at the Glacier Gas Plant. The volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%. As at September 30, 2024, the financing liability was $89.3 million (December 31, 2023 - $92.9 million) and for the nine months ended September 30, 2024, the Corporation made cash payments of $9.8 million (September 30, 2023 - $9.5 million) under the agreement.

As at September 30, 2024, Advantage had a decommissioning liability of $117.0 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 $153.9 million (December 31, 2023 – $82.6 million), with 53% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the nine months ended September 30, 2024, was $1.0 million (year ended December 31, 2023 – $4.0 million). Advantage continues to maintain an industry leading LMR of 20.2, 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 nine months ended September 30, 2024, the net loss and comprehensive loss attributed to non-controlling interest was $1.2 million (September 30, 2023 - $1.1 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 nine months ended September 30, 2024, the Corporation purchased 2.4 million common shares for cancellation at an average price of $8.86 per common share for a total of $21.3 million. Since initiating our buyback program in April 2022, Advantage has repurchased 37.7 million common shares for a total of $378.3 million. On June 21, 2024, Bill C-59 received royal assent, which, among other things, provides for a 2% tax on the net value of equity repurchased by certain public corporations and other publicly listed entities. At September 30, 2024, the Corporation had no liability with respect to the new 2% tax, as the value of the Corporation's equity issuances exceeded the value of the equity that has been repurchased.

As at September 30, 2024, a total of 2.4 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 October 24, 2024, Advantage had 167.0 million common shares outstanding.

Quarterly Performance

	2024			2023				2022
($000, except as otherwise indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial Statement Highlights								
Natural gas and liquids sales	139,840	104,081	135,897	147,137	140,724	107,240	145,999	223,200
Net income (loss) and comprehensive income (loss)[3]	(6,490)	(12,084)	23,163	41,026	28,314	2,538	29,719	113,962
per basic share [2]	(0.04)	(0.07)	0.14	0.25	0.17	0.02	0.18	0.63
per diluted share [3]	(0.04)	(0.07)	0.14	0.24	0.16	0.01	0.17	0.61
Basic weighted average shares (000)	166,972	161,362	160,444	163,939	167,702	167,268	167,311	180,248
Diluted weighted average shares (000)	166,972	161,362	164,129	168,441	172,182	171,815	174,328	187,095
Cash provided by operating activities	46,719	47,090	67,374	89,048	90,376	37,966	105,955	112,558
Cash provided (used) in financing activities	(1,097)	447,502	11,883	(52,120)	(3,562)	43,778	(58,359)	(49,718)
Cash used in investing activities	(52,765)	(494,331)	(79,427)	(58,846)	(49,886)	(88,439)	(85,590)	(69,060)
Other Financial Highlights								
Adjusted funds flow [1]	52,260	42,354	65,393	82,494	81,862	52,381	96,833	124,205
per boe [1]	7.64	7.01	10.88	13.11	13.86	11.10	18.50	24.29
per basic share [1][2]	0.31	0.26	0.41	0.50	0.49	0.31	0.58	0.69
per diluted share [1][2][3]	0.31	0.26	0.40	0.49	0.48	0.30	0.56	0.66
Net capital expenditures [1]	66,727	490,888	80,134	39,938	61,234	64,924	116,700	46,838
Free cash flow (negative) [1]	(14,668)	(3,059)	(14,741)	42,556	20,628	(12,543)	(19,867)	77,367
Bank indebtedness	469,551	488,008	238,578	212,854	226,127	226,442	167,260	177,200
Net debt [1]	693,959	674,665	279,963	235,010	236,311	238,493	204,709	130,636
Operating Highlights								
Production								
Crude oil (bbls/d)	8,144	3,033	2,630	3,254	3,035	2,801	1,731	1,854
Condensate (bbls/d)	1,055	1,200	1,231	1,264	1,368	871	1,157	1,092
NGLs (bbls/d)	3,621	2,908	2,591	3,345	3,174	2,683	2,877	2,680
Total liquids production (bbls/d)	12,820	7,141	6,452	7,863	7,577	6,355	5,765	5,626
Natural gas (mcf/d)	369,306	355,563	357,410	363,124	339,709	272,919	314,273	299,684
Total production (boe/d)	74,371	66,401	66,020	68,384	64,195	51,842	58,144	55,573
Average prices (including realized derivatives)								
Natural gas ($/mcf)	1.65	1.82	2.86	2.84	2.96	2.81	4.42	5.65
Liquids ($/bbl)	85.05	84.58	80.21	81.55	77.91	75.36	77.77	86.39
Operating Netback ($/boe)								
Natural gas and liquids sales	20.44	17.22	22.62	23.39	23.83	22.73	27.90	43.66
Realized gains (losses) on derivatives	2.44	1.59	0.70	0.98	1.02	1.07	3.44	(4.76)
Processing and other income	0.15	0.32	0.36	0.39	0.39	0.22	0.35	0.60
Net sales of purchased natural gas	-	-	-	-	-	(0.05)	-	-
Royalty expense	(2.83)	(1.16)	(1.52)	(1.64)	(1.55)	(1.33)	(3.19)	(5.31)
Operating expense	(5.55)	(4.16)	(4.17)	(3.61)	(3.85)	(4.44)	(3.44)	(3.39)
Transportation expense	(3.88)	(3.73)	(4.23)	(4.08)	(3.70)	(4.34)	(4.33)	(4.43)
Operating netback [1]	10.77	10.08	13.76	15.43	16.14	13.86	20.73	26.37

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

(2) Based on basic weighted average shares outstanding.

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

The table above highlights the Corporation’s performance for the third quarter of 2024 and for the preceding seven quarters. In 2022 the Corporation saw a large increase in both natural gas and liquids sales and adjusted funds flow due to higher natural gas and liquids benchmark prices and production, with adjusted funds flow highest in the fourth quarter. Adjusted funds flow declined in the first and second quarter of 2023 due to lower natural gas and liquids benchmark prices and a 17-day turnaround at the Glacier Gas Plant in May 2023. Natural gas and liquids sales and adjusted funds flow increased in the third and fourth quarter of 2023 as a result of higher production.

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 adjusted funds flow in the third quarter of 2024 primarily due to 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 last two quarters has resulted in the recent recognition of net losses.

Quarterly Performance (continued)

The Corporation has steadily increased total production over the preceding seven quarters from 55,573 boe/d in the fourth quarter of 2022 to 74,371 boe/d in the third quarter of 2024. Cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS 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 (loss) and comprehensive income (loss) through depreciation, impairment and impairment reversals of natural gas and liquids properties. After tax discounted cashflows are used to ensure the carrying amount of the Corporation's natural gas and liquids properties are recoverable. The discount rate used is subject to judgement and may impact the carrying value of the Corporation's property, plant and equipment. The reserve estimates are also used to assess the borrowing base for the Credit Facilities. Revision or changes in the reserve estimates can have either a positive or a negative impact on asset values, net income (loss), comprehensive income (loss) and the borrowing base of the Corporation.

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

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

Critical Accounting Estimates (continued)

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

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

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

Changes in Accounting Policies

Amendments to IAS 1, Presentation of Financial Statements

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

IFRS 3 Business Combinations

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

Changes in Accounting Policies (continued)

IFRS 9 Financial Instruments – Convertible debentures

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

Accounting Pronouncements not yet Adopted

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

Environmental Reporting

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

Evaluation of Disclosure Controls and Procedures

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

Evaluation of Internal Controls over Financial Reporting

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

Advantage’s Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation’s ICFR. No material changes in the ICFR were identified during the interim period ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our ICFR.

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

Specified Financial Measures

Throughout this MD&A and in other documents disclosed by the Corporation, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS Accounting Standards 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 Accounting Standards, such as net income and comprehensive income, cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance.

Non-GAAP Financial Measures

Adjusted Funds Flow

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

	Three months ended September 30		Nine months ended September 30	
($000)	2024	2023	2024	2023
Cash provided by operating activities	46,719	90,376	161,183	234,297
Expenditures on decommissioning liability	879	1,420	988	1,919
Changes in non-cash working capital	4,662	(9,934)	(2,164)	(5,140)
Adjusted funds flow	52,260	81,862	160,007	231,076

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:

	Three months ended September 30		Nine months ended September 30	
($000)	2024	2023	2024	2023
Cash used in investing activities	52,765	49,886	626,523	223,915
Changes in non-cash working capital	13,962	11,348	11,226	18,943
Net capital expenditures	66,727	61,234	637,749	242,858

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

Free Cash Flow

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

	Three months ended September 30		Nine months ended September 30	
($000)	**2024**	**2023**	**2024**	**2023**
Cash provided by operating activities	46,719	90,376	161,183	234,297
Cash used in investing activities	(52,765)	(49,886)	(626,523)	(223,915)
Changes in non-cash working capital	(9,300)	(21,282)	(13,390)	(24,083)
Expenditures on decommissioning liability	879	1,420	988	1,919
Asset Acquisition	(201)	-	445,274	-
Free cash flow (negative)	(14,668)	20,628	(32,468)	(11,782)

Operating Income

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

	Three months ended September 30		Nine months ended September 30	
($000)	**2024**	**2023**	**2024**	**2023**
Natural gas and liquids sales	139,840	140,724	379,818	393,963
Realized gains on derivatives	16,705	6,010	30,547	29,103
Processing and other income	1,060	2,303	5,186	5,143
Net sales of purchased natural gas	-	-	-	(247)
Royalty expense	(19,338)	(9,154)	(35,488)	(32,130)
Operating expense	(37,979)	(22,758)	(88,211)	(61,729)
Transportation expense	(26,576)	(21,833)	(74,507)	(64,939)
Operating income	73,712	95,292	217,345	269,164

Specified Financial Measures (continued)

Non-GAAP Ratios

Adjusted Funds Flow per Share

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

	Three months ended September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2024**	**2023**	**2024**	**2023**
Adjusted funds flow	52,260	81,862	160,007	231,076
Weighted average shares outstanding (000)	166,972	167,702	162,941	167,434
Diluted weighted average shares outstanding (000)	166,972	172,182	166,116	172,979
Adjusted funds flow per share ($/share)	0.31	0.49	0.98	1.38
Adjusted funds flow per diluted share ($/share)	0.31	0.48	0.96	1.34

Adjusted Funds Flow per BOE

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

	Three months ended September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2024**	**2023**	**2024**	**2023**
Adjusted funds flow	52,260	81,862	160,007	231,076
Total production (boe/d)	74,371	64,195	68,951	58,083
Days in period	92	92	274	273
Total production (boe)	6,842,132	5,905,940	18,892,574	15,856,659
Adjusted funds flow per BOE ($/boe)	7.64	13.86	8.47	14.57

Operating netback

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

	Three months ended September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2024**	**2023**	**2024**	**2023**
Operating income	73,712	95,292	217,345	269,164
Total production (boe/d)	74,371	64,195	68,951	58,083
Days in period	92	92	274	273
Total production (boe)	6,842,132	5,905,940	18,892,574	15,856,659
Operating netback ($/boe)	10.77	16.14	11.50	16.97

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 tailing four quarters) that can be used to satisfy such borrowings. The Unsecured Debentures are excluded from the calculation as they are a liability of Entropy and are non-recourse to Advantage.

($000, except as otherwise indicated)	**September 30 2024**	**December 31 2023**
Bank indebtedness	469,551	212,854
Convertible debentures	143,750	-
Working capital deficit (surplus) pertaining to the Credit Facility	8,589	(16,912)
Debt	621,890	195,942
Adjusted funds flow pertaining to the Credit Facility (prior four quarters)	250,012	319,323
Debt to adjusted funds flow	2.5	0.7

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 September 30, 2024, December 31, 2023 and September 30, 2023 is as follows:

	September 30 2024	December 31 2023	September 30 2023
Cash and cash equivalents	12,209	19,261	41,179
Trade and other receivables	59,910	53,378	49,229
Prepaid expenses and deposits	13,240	16,618	19,056
Trade and other accrued liabilities	(91,778)	(70,606)	(79,648)
Working capital surplus (deficit)	(6,419)	18,651	29,816

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. Comparative figures have been restated to reflect the reclassification of deferred share units in trade and other accrued liabilities which affects net debt.

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

	September 30 2024	December 31 2023	September 30 2023
Bank indebtedness	469,551	212,854	226,127
Convertible debentures	143,750	-	-
Unsecured debentures	74,239	40,807	40,000
Working capital deficit (surplus)	6,419	(18,651)	(29,816)
Net debt	693,959	235,010	236,311

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 Accounting Standards, 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 Accounting Standards, divided by the Corporation's natural gas production.

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

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

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

Specified Financial Measures (continued)

Dollars per BOE figures

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

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

Conversion Ratio

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

Abbreviations

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

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
"NGLs" & "condensate"	- Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- Conventional Natural Gas as defined in National Instrument 51-101
Liquids	- Total of crude oil, condensate and NGLs
AECO	- a notional market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGTL	- NOVA Gas Transmission Ltd.
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
CCS	- Carbon Capture and Storage
CCUS	- Carbon Capture, Utilization and Storage
CO_2e	- carbon dioxide equivalent
MCCS	- Modular Carbon Capture and Storage
IP30	- average initial production rate over 30 consecutive days
IP90	- average initial production rate over 90 consecutive days
nm	- not meaningful information

Forward-Looking Information and Other Advisories

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

In particular, forward-looking statements in this MD&A include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the anticipated benefits to be derived from the Acquisition; the anticipated benefits to be derived from the Corporation's transportation commitments; the anticipated benefits to be derived from the Corporation's commodity risk management and financial risk management derivative contracts; the anticipated number of common shares that Advantage will purchase for cancellation pursuant to its NCIB; Advantage's anticipated 2024 average annual production and its expectation that its 2024 total annual production will be within its guidance range; expectations that natural gas prices will increase in the fourth quarter of 2024 and that global demand for natural gas will continue to rise; 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; expectations that the Corporation's operating costs will be lower than its third quarter guidance range; the anticipated cost of the Glacier Phase 2 project and the installation of the modular power plant at the Glacier Gas Plant and the anticipated benefits to be derived therefrom; expectations that the Corporation's previously incurred carbon capture expenditures will be eligible expenditures under the CCUS ITC program; Management's expectations that the Corporation's Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan; the anticipated timing of when Advantage's gas plant at Progress will come on-stream and the anticipated benefits to be derived therefrom; the Corporation's preliminary development plan for the Acquired Assets in 2025 and the anticipated levels of production to be derived therefrom; the Corporation's future commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the Corporation's ability to ensure that it is properly diversified to multiple markets; Advantage's expectations that its Credit Facilities will be extended at each annual review; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due and the anticipated means for satisfying such future obligations; Advantage's anticipated means of managing its capital structure; Advantage's expectations that its financial assessment process will enable the Corporation to mitigate risks; Advantage's expectations that its cash provided by operating activities and its available Credit Facilities will allow it to meet its future obligations as they become due; that Entropy will issue future unsecured debentures to fund carbon capture and storage projects and Entropy's expectation that such projects will reach final investment decision; the Corporation's anticipated future abandonment and reclamation obligations of its natural gas and liquids properties and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; expectations that the Corporation will have no issues addressing its abandonment, remediation and reclamation obligations; the statements under "critical accounting estimates" in this MD&A; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation’s products, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and

Forward-Looking Information and Other Advisories (continued)

regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; potential disruption of the Corporation's operations as a result of the COVID-19 pandemic through potential loss of manpower and labour pools resulting from quarantines in the Corporation's operating areas, risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations, delays in obtaining stakeholder and regulatory approvals; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the failure to extend the credit facilities at each annual review; competition from other producers; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; the risk that the Acquisition may not provide Advantage with the benefits anticipated; the risk that Advantage's 2024 average annual production and 2024 total annual production may be less than anticipated; the risk that natural gas prices may be less than anticipated in the fourth quarter of 2024 and that global demand for natural gas may decrease in 2025; the risk that the Corporation's operating costs may be greater than anticipated; the risk that the number of common shares that Advantage will purchase for cancellation pursuant to its NCIB may be less than anticipated; the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that Advantage's gas plant at Progress may not come onstream when anticipated, or at all, or lead to the benefits anticipated; the risk that the Acquired Assets may have a lower level of production than anticipated; the risk that the cost of the Glacier Phase 2 project and the cost of installing the modular power plant at the Glacier Gas Plant may be greater than anticipated and may not result in the benefits anticipated; the risk that the Corporation's previously incurred carbon capture expenditures may not be eligible expenditures under the CCUS ITC program; the risk that the Corporation may not be properly diversified to multiple markets; the risk that having more diversified natural gas production may not lead to reduced price volatility or higher operating netbacks; the risk that the Corporation may not satisfy all of its liabilities and commitments or meet future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than expected; the risk that the Corporation may not be able to address its abandonment, remediation and reclamation obligations; the risk that Advantage's cash provided by operating activities and its Credit Facilities may not allow the Corporation to meet its future obligations as they become due; the risk that Entropy's carbon capture and storage projects may not reach final investment decision; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedarplus.ca and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the NCIB will be subject to the discretion of the board of directors of the Corporation and may depend on a variety of factors, including, without limitation, the Corporation's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Corporation under applicable

Forward-Looking Information and Other Advisories (continued)

corporate law. There can be no assurance of the number of common shares of the Corporation that the Corporation will acquire pursuant to its NCIB, if any, in the future.

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation’s conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation’s crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the Acquisition will be beneficial to the Corporation; that having more diversified natural gas production will lead to reduced price volatility and higher operating netbacks; that the Corporation's cash provided by operating activities and available Credit Facilities will be able to satisfy all of the Corporation's liabilities, commitments and future obligations as they become due; that the unsecured debentures that maybe issued by Entropy will fund its carbon capture and storage projects; and that the estimates of the Corporation’s production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

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

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: expectations that the Corporation's operating costs will be lower than its third quarter guidance range; the anticipated cost of the Glacier Phase 2 project and the installation of the modular power plant at the Glacier Gas Plant; expectations that the Corporation's previously incurred carbon capture expenditures will be eligible expenditures under the CCUS ITC program; the Corporation's future commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; and the Corporation's anticipated future abandonment and reclamation obligations of its natural gas and liquids properties and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those

Forward-Looking Information and Other Advisories (continued)

set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

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

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

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

Additional Information

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

October 24, 2024

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

Advantage Energy Ltd.

Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)	Notes	September 30 2024	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents	3	12,209	19,261
Trade and other receivables		59,910	53,378
Prepaid expenses and deposits		13,240	16,618
Derivative asset	8	56,755	31,200
Total current assets		**142,114**	**120,457**
Non-current assets			
Derivative asset	8	59,369	80,048
Inventory	4	3,139	3,958
Intangible assets	5	5,623	5,363
Natural gas and liquids properties	7	2,638,149	2,089,202
Total non-current assets		**2,706,280**	**2,178,571**
Total assets		**2,848,394**	**2,299,028**
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		91,778	70,606
Derivative liability	8	208	964
Financing liability	11	5,137	4,813
Unsecured debentures	12	78,942	46,263
Provisions and other liabilities	13	12,819	20,054
Total current liabilities		**188,884**	**142,700**
Non-current liabilities			
Bank indebtedness	9	469,551	212,854
Convertible debentures	10	121,630	-
Financing liability	11	84,198	88,084
Provisions and other liabilities	13	119,883	61,937
Deferred income tax liability		246,635	237,057
Total non-current liabilities		**1,041,897**	**599,932**
Total liabilities		**1,230,781**	**742,632**
SHAREHOLDERS' EQUITY			
Share capital	14	1,989,765	1,952,241
Convertible debentures	10	12,859	-
Contributed surplus		194,433	187,034
Deficit		(578,391)	(582,980)
Total shareholders' equity attributable to Advantage shareholders		**1,618,666**	**1,556,295**
Non-controlling interest	15	(1,053)	101
Total shareholders' equity		**1,617,613**	**1,556,396**
Total liabilities and shareholders' equity		**2,848,394**	**2,299,028**

Commitments (note 20)

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	Notes	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Revenues and other income					
Natural gas and liquids sales	18(a)	139,840	140,724	379,818	393,963
Sales of purchased natural gas	18(b)	-	-	-	3,124
Processing and other income	18(c)	1,060	2,303	5,186	5,143
Royalty expense		(19,338)	(9,154)	(35,488)	(32,130)
Natural gas and liquids revenue		121,562	133,873	349,516	370,100
Gains (losses) on derivatives	8	23,297	2,845	35,381	(11,460)
Total revenues and other income		**144,859**	**136,718**	**384,897**	**358,640**
Expenses					
Operating expense		37,979	22,758	88,211	61,729
Transportation expense		26,576	21,833	74,507	64,939
Natural gas purchases	18(b)	-	-	-	3,371
General and administrative expense		6,696	6,219	23,669	17,436
Transaction costs		42	-	3,183	-
Share-based compensation expense	16(b)	2,347	1,191	3,681	4,838
Depreciation and amortization expense	5,7	59,721	39,693	146,177	105,156
Finance expense		17,781	8,153	35,717	22,060
Foreign exchange loss (gain)		99	(354)	(156)	84
Other expenses (gains)	4	444	(1,095)	199	39
Total expenses		**151,685**	**98,398**	**375,188**	**279,652**
Income (loss) before taxes and non-controlling interest		**(6,826)**	**38,320**	**9,709**	**78,988**
Income tax expense		(96)	(10,168)	(6,274)	(19,511)
Net income (loss) and comprehensive income (loss) before non-controlling interest		**(6,922)**	**28,152**	**3,435**	**59,477**
Net income (loss) and comprehensive income (loss) attributable to:					
Advantage shareholders		(6,490)	28,314	4,589	60,571
Non-controlling interest		(432)	(162)	(1,154)	(1,094)
		(6,922)	**28,152**	**3,435**	**59,477**
Net income (loss) per share attributable to Advantage shareholders					
Basic	17	(0.04)	0.17	0.03	0.36
Diluted	17	(0.04)	0.16	0.03	0.35

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, expressed in thousands of Canadian dollars)

	Share capital	Convertible debentures	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2023	1,952,241	-	187,034	(582,980)	101	**1,556,396**
Net income (loss) and comprehensive income (loss)	-	-	-	4,589	(1,154)	**3,435**
Share-based compensation (note 16(b))	-	-	4,698	-	-	**4,698**
Issuance of convertible debentures (note 10)	-	12,859	-	-	-	**12,859**
Settlement of Performance Share Units (note 14(a))	3,881	-	(4,952)	-	-	**(1,071)**
Common shares issued (note 14(a))	62,643	-	-	-	-	**62,643**
Common shares repurchased (note 14(c))	(29,000)	-	7,653	-	-	**(21,347)**
Balance, September 30, 2024	**1,989,765**	**12,859**	**194,433**	**(578,391)**	**(1,053)**	**1,617,613**

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2022	2,105,013	142,817	(684,577)	1,425	**1,564,678**
Net income (loss) and comprehensive income (loss)	-	-	60,571	(1,094)	**59,477**
Share-based compensation (note 16(b))	-	6,507	-	-	**6,507**
Settlement of Performance Share Units (note 14(a))	6,509	(6,509)	-	-	**-**
Common shares repurchased (note 14(c))	(109,913)	32,570	-	-	**(77,343)**
Balance, September 30, 2023	**2,001,609**	**175,385**	**(624,006)**	**331**	**1,553,319**

See accompanying Notes to the Condensed Consolidated Financial Statements

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

		Three months ended September 30		Nine months ended September 30	
	Notes	**2024**	**2023**	**2024**	**2023**
Operating Activities					
Income (loss) before taxes and non-controlling interest		(6,826)	38,320	9,709	78,988
Add (deduct) items not requiring cash:					
Unrealized (gains) losses on derivatives	8	(6,592)	3,165	(4,834)	40,563
Share-based compensation expense	16(b)	2,347	1,191	3,681	4,838
Depreciation and amortization expense	5,7	59,721	39,693	146,177	105,156
Accretion of decommissioning liability	13(c)	863	432	1,871	1,103
Accretion of unsecured debentures	12	308	156	749	389
Accretion of convertible debentures	10	933	-	1,063	-
Interest paid-in-kind	12	1,062	-	2,463	-
Other expenses (gains)	4	444	(1,095)	199	39
Expenditures on decommissioning liability	13(c)	(879)	(1,420)	(988)	(1,919)
Settlement of Performance Share Units		-	-	(1,071)	-
Changes in non-cash working capital	19	(4,662)	9,934	2,164	5,140
Cash provided by operating activities		**46,719**	**90,376**	**161,183**	**234,297**
Financing Activities					
Common shares repurchased	14(c)	-	(15,826)	(21,347)	(77,343)
Common shares issued	14(b)	-	-	62,105	-
Increase (decrease) in bank indebtedness	9,19	(18,457)	(315)	256,697	48,927
Net proceeds from convertible debentures	10	(59)	-	137,268	-
Net proceeds from unsecured debentures	12	18,855	13,833	27,700	13,833
Principal repayment of lease liability	13(b)	(213)	(166)	(573)	(403)
Principal repayment of financing liability	11	(1,223)	(1,088)	(3,562)	(3,157)
Cash provided by (used in) financing activities		**(1,097)**	**(3,562)**	**458,288**	**(18,143)**
Investing Activities					
Property, plant and equipment additions	7	(66,809)	(51,790)	(191,552)	(232,678)
Exploration and evaluation assets additions	7	-	(9,181)	-	(9,181)
Intangible assets additions	5	(119)	(263)	(923)	(999)
Asset acquisition	6	201	-	(445,274)	-
Changes in non-cash working capital	19	13,962	11,348	11,226	18,943
Cash used in investing activities		**(52,765)**	**(49,886)**	**(626,523)**	**(223,915)**
Increase (decrease) in cash and cash equivalents		(7,143)	36,928	(7,052)	(7,761)
Cash and cash equivalents, beginning of period		19,352	4,251	19,261	48,940
Cash and cash equivalents, end of period		**12,209**	**41,179**	**12,209**	**41,179**
Cash interest paid		13,565	7,815	28,453	20,771
Cash income taxes paid		-	-	-	-

See accompanying Notes to the Condensed Consolidated Financial Statements

1. Business and structure of Advantage Energy Ltd.

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

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2023, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards. Certain information provided for the prior period has been reclassified to conform to the presentation adopted for the periods ended September 30, 2024.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of October 24, 2024, the date the Board of Directors approved the statements.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in the audited consolidated financial statements for the year ended December 31, 2023.

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

(c) Functional and presentation currency

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

(d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy, a private Canadian corporation of which Advantage owned 92% of the common shares (note 15). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

2. Basis of preparation (continued)

(e) Changes to material accounting policies

Amendments to IAS 1, Presentation of Financial Statements

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

IFRS 3 Business Combinations

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

IFRS 9 Financial Instruments – Convertible debentures

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

(f) Recent accounting pronouncements

On April 9, 2024, the IASB issued IFRS 18, "presentation and disclosure in Financial Statements" ("IFRS 18"), which will replace Internation Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) 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.

3. Cash and cash equivalents

	September 30 2024	December 31 2023
Cash at financial institutions	**12,209**	**19,261**

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at September 30, 2024 cash at financial institutions included US$0.8 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 September 30, 2024 is $8.1 million held by Entropy (December 31, 2023 - $5.3 million).

4. Inventory

Balance at December 31, 2022	**-**
Additions	4,842
Revaluation	(884)
Balance at December 31, 2023	**3,958**
Revaluation	(199)
Sale of inventory	(620)
Balance at September 30, 2024	**3,139**

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

5. Intangible assets

Cost	
Balance at December 31, 2022	4,011
Additions	1,465
Balance at December 31, 2023	**5,476**
Additions	923
Balance at September 30, 2024	**6,399**
Accumulated amortization	
Balance at December 31, 2022	-
Amortization	113
Balance at December 31, 2023	**113**
Amortization	663
Balance at September 30, 2024	**776**
Net book value	
At December 31, 2023	5,363
At September 30, 2024	**5,623**

6. 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 acquisition of the Charlie Lake and Montney assets has been accounted for as a business combination under IFRS 3.

The acquisition of the acquired assets contributed revenues of $61.5 million and operating income of $29.0 million from June 24, 2024 to September 30, 2024. Had the acquisition of these assets closed on January 1, 2024, estimated contributed revenues would have been $200.9 million and estimated contributed operating income would have been $105.1 million for the nine months ended September 30, 2024.

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

Consideration	
Cash consideration	445,274

Net assets acquired	
Right-of-use assets (Note 7)	272
Property, plant and equipment (Note 7)	466,705
Exploration and evaluation assets (Note 7)	6,838
Lease liability (note 13(b))	(272)
Decommissioning liability (Note 13 (c))	(28,269)
Total net assets acquired	**445,274**

7. Natural gas and liquids properties

Cost	Right-of-use assets	Exploration and evaluation assets	Property, plant and equipment	Total
Balance at December 31, 2022	2,977	15,791	3,198,459	3,217,227
Additions	412	9,181	272,150	281,743
Capitalized share-based compensation (note 16(b))	-	-	2,242	2,242
Capitalized interest paid-in-kind (note 12)	-	-	303	303
Changes in decommissioning liability (note 13(c))	-	-	13,911	13,911
Transfers	-	(8,570)	8,570	-
Lease expiries	-	(441)	-	(441)
Expired right-of-use assets	(136)	-	-	(136)
Balance at December 31, 2023	**3,253**	**15,961**	**3,495,635**	**3,514,849**
Additions	1,366	-	191,552	192,918
Asset acquisition (note 6)	272	6,838	466,705	473,815
Capitalized share-based compensation (note 16(b))	-	-	1,017	1,017
Capitalized interest paid-in-kind (note 12)	-	-	969	969
Changes in decommissioning liability (note 13(c))	-	-	25,742	25,742
Expired right-of-use assets	(73)	-	-	(73)
Balance at September 30, 2024	**4,818**	**22,799**	**4,181,620**	**4,209,237**
Accumulated depreciation				
Balance at December 31, 2022	1,133	-	1,275,866	1,276,999
Depreciation	526	-	148,258	148,784
Expired right-of-use assets	(136)	-	-	(136)
Balance at December 31, 2023	**1,523**	**-**	**1,424,124**	**1,425,647**
Depreciation	576	-	144,938	145,514
Expired right-of-use assets	(73)	-	-	(73)
Balance at September 30, 2024	**2,026**	**-**	**1,569,062**	**1,571,088**
Net book value				
At December 31, 2023	1,730	15,961	2,071,511	2,089,202
At September 30, 2024	**2,792**	**22,799**	**2,612,558**	**2,638,149**

During the nine months ended September 30, 2024, Advantage capitalized general and administrative expenditures directly related to development activities of $4.8 million, included in additions (year ended December 31, 2023 - $5.3 million).

During the nine months ended September 30, 2024, Entropy capitalized borrowing costs that were paid-in-kind, directly related to funding CCS development activities of $1.0 million (year ended December 31, 2023 - $0.2 million paid in cash included in additions and $0.3 million paid-in-kind).

Included in additions to property, plant and equipment is $20.5 million in additions incurred by Entropy (year ended December 31, 2023 - $15.1 million).

Advantage included future development costs of $2.6 billion (December 31, 2023 - $2.1 billion) in natural gas and liquids properties costs subject to depreciation.

Impairment assessment

For the three and nine months ended September 30, 2024, the Corporation evaluated its natural gas and liquids properties for indicators of any potential impairment. As a result of this assessment, no indicators were identified, and no impairment was recorded for the three and nine months ended September 30, 2024.

8. Financial risk management

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

Fair value is determined following a three-level hierarchy:

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

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

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

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

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

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

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

8. Financial risk management (continued)

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

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Realized gains (losses) on derivatives				
Natural gas	16,345	5,916	31,473	31,548
Crude oil	1,175	-	1,175	-
Foreign exchange	74	5	78	(2,006)
Natural gas embedded derivative	(889)	89	(2,179)	(439)
Total	**16,705**	**6,010**	**30,547**	**29,103**
Unrealized gains (losses) on derivatives				
Natural gas	5,534	533	18,774	(11,031)
Crude oil	22,468	-	17,557	-
Foreign exchange	766	210	(173)	2,407
Natural gas embedded derivative	(21,646)	(3,667)	(30,526)	(25,968)
Unsecured debentures revaluation	(530)	(241)	(798)	(5,971)
Total	**6,592**	**(3,165)**	**4,834**	**(40,563)**
Gains (losses) on derivatives				
Natural gas	21,879	6,449	50,247	20,517
Crude oil	23,643	-	18,732	-
Foreign exchange	840	215	(95)	401
Natural gas embedded derivative	(22,535)	(3,578)	(32,705)	(26,407)
Unsecured debentures revaluation	(530)	(241)	(798)	(5,971)
Total	**23,297**	**2,845**	**35,381**	**(11,460)**

8. Financial risk management (continued)

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

	September 30 2024	December 31 2023
Derivative type		
Natural gas derivative asset	41,482	22,708
Crude oil derivative asset	17,557	-
Foreign exchange derivative asset	720	893
Natural gas embedded derivative asset	56,157	86,683
Unsecured debentures derivative liability (Note 12)	(38,782)	(18,444)
Net derivative asset	**77,134**	**91,840**
Consolidated statement of financial position classification		
Current derivative asset	56,755	31,200
Non-current derivative asset	59,369	80,048
Current derivative liability	(208)	(964)
Unsecured debentures derivative liability (Note 12)	(38,782)	(18,444)
Net derivative asset	**77,134**	**91,840**

8. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as level 2 within the fair value hierarchy. As at September 30, 2024 (other than as indicated), the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	November 2024 to December 2024	20,000 Mcf/d	US $3.41/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	October 2024 to December 2024	40,000 Mcf/d	Henry Hub less US $1.19/Mcf
Natural gas - AECO			
Fixed price swap	October 2024	56,869 Mcf/d	$2.60/Mcf
Fixed price swap	November 2024 to December 2024	90,043 Mcf/d	$3.07/Mcf
Fixed price swap	January 2025 to March 2025	113,738 Mcf/d	$3.13/Mcf
Fixed price swap	April 2025 to October 2025	87,673 Mcf/d	$2.92/Mcf
Fixed price swap	November 2025 to March 2026	123,216 Mcf/d	$3.58/Mcf
Fixed price swap	April 2026 to October 2026	52,130Mcf/d	$3.20/Mcf
Fixed price swap	November 2026 to March 2027	47,391 Mcf/d	$3.30/Mcf
Natural gas - Dawn			
Fixed price swap	November 2024 to October 2025	37,913 Mcf/d	$4.10/Mcf
Fixed price swap	November 2025 to March 2026	18,956 Mcf/d	$4.66/Mcf
Fixed price swap	April 2026 to October 2026	28,435 Mcf/d	$4.52/Mcf
Fixed price swap	November 2026 to March 2027	9,478 Mcf/d	$4.25/Mcf
Crude oil – WTI NYMEX			
Fixed price swap	November 2024 to December 2024	6,500 bbls/d	US $76.62/bbl
Fixed price swap	January 2025 to June 2025	5,000 bbls/d	US $74.43/bbl(1)
Fixed price swap	July 2025 to December 2025	1,500 bbls/d	US $73.84/bbl

(1) Contains contract entered into subsequent to September 30, 2024

8. Financial risk management (continued)

Natural Gas - Embedded Derivative

Commencing in 2023, Advantage began selling natural gas under a long-term natural gas supply agreement, delivering 25,000 MMbtu/d of natural gas for a 10-year period. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US $2.50/MMbtu. The Corporation will realize derivative gains or losses when the price received under the contract deviates from US $2.50/MMbtu. As at September 30, 2024 the fair value of the natural gas embedded derivative resulted in an asset of $56.2 million (December 31, 2023 – $86.7 million asset).

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

$ millions	**Increase**	**(Decrease)**
10% change in PJM electricity price	20.2	(23.1)
1% change in implied inflation rate	0.8	(0.8)

(b) Foreign exchange risk

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

Description of Derivative	**Term**	**Notional Amount**	**Rate**
Forward rate - CAD/USD			
Average rate currency swap	October 2024 to January 2025	US $3,000,000/month	1.3792
Average rate currency swap	February 2025 to July 2025	US $2,000,000/month	1.3793

8. Financial risk management (continued)

(c) Capital management

Working capital

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

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

	September 30 2024	**December 31 2023**
Cash and cash equivalents	12,209	19,261
Trade and other receivables	59,910	53,378
Prepaid expenses and deposits	13,240	16,618
Trade and other accrued liabilities	(91,778)	(70,606)
Working capital surplus (deficit)	**(6,419)**	**18,651**

Net Debt

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

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

	September 30 2024	**December 31 2023**
Bank indebtedness (note 9)	469,551	212,854
Aggregate principal balance of convertible debentures (note 10)	143,750	-
Aggregate principal balance of unsecured debentures (note 12)	74,239	40,807
Working capital (surplus) deficit	6,419	(18,651)
Net debt	**693,959**	**235,010**

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

	September 30 2024	**December 31 2023**
Shares outstanding (note 14)	166,972,093	162,225,180
Share closing market price ($/share)	9.45	8.53
Market Capitalization	**1,577,886**	**1,383,781**
Net debt	693,959	235,010
Total Capitalization	**2,271,845**	**1,618,791**

9. Bank indebtedness

	September 30 2024	December 31 2023
Revolving credit facility	475,000	215,000
Discount on bankers' acceptance and other fees	(5,449)	(2,146)
Balance, end of period	**469,551**	**212,854**

On June 24, 2024, the Credit Facilities were increased to a borrowing base of $650 million, comprised of a $60 million extendible revolving operating loan facility from one financial institution and a $590 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a term of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. The Credit Facilities are collateralized by a $2 billion floating charge demand debenture covering all assets. The Corporation had letters of credit of $4.9 million outstanding at September 30, 2024 (December 31, 2023 - $12.9 million). The Corporation did not have any financial covenants at September 30, 2024 and December 31, 2023.

10. Convertible debentures

	Convertible Debentures (# of Debentures)	Liability Component	Equity Component
Balance, December 31, 2023	-	-	-
Issuance of convertible debentures	143,750	126,261	17,489
Issuance costs	-	(5,694)	(788)
Deferred income tax liability	-	-	(3,842)
Accretion of discount	-	1,063	-
Balance, September 30, 2024	**143,750**	**121,630**	**12,859**

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.

10. 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 September 30, 2024 was $143.8 million using quoted market prices on the TSX.

11. Financing liability

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner in the Corporation's Glacier Gas Plant, with a term due to expire in 2035. The volume commitment agreement is treated as a financing transaction with an effective interest rate associated with the financing transaction of 9.1%.

A reconciliation of the financing liability is provided below:

	Nine months ended September 30, 2024	**Year ended December 31, 2023**
Balance, beginning of the year	92,897	94,705
Additions	-	2,500
Interest expense	6,234	8,452
Financing payments	(9,796)	(12,760)
Balance, end of period	**89,335**	**92,897**
Current financing liability	5,137	4,813
Non-current financing liability	84,198	88,084

12. Unsecured debentures

During the nine months ended September 30, 2024, Entropy issued unsecured debentures for gross proceeds of $30.0 million (December 31, 2023 - $15.0 million) and incurred $2.3 million of issuance costs (December 31, 2023 - $1.2 million). For the nine months ended September 30, 2024, Entropy incurred interest of $3.4 million which was paid-in kind (September 30, 2023 - $1.7 million paid in cash).

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

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Aggregate principal balance, beginning of the year	40,807	25,000
Unsecured debentures issued	30,000	15,000
Interest paid-in-kind	3,432	807
Aggregate principal balance, end of period	**74,239**	**40,807**

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	27,819	15,700
Initial recognition	13,892	12,713
Issuance costs	(2,300)	(1,167)
Accretion expense	749	573
Balance, end of period	**40,160**	**27,819**

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	18,444	9,744
Initial recognition	19,540	3,094
Revaluation	798	5,606
Balance, end of period	**38,782**	**18,444**

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

$ millions	**Increase**	**(Decrease)**
$1 change in estimated share price	6.0	(7.4)
1% change in credit spread	1.6	(1.6)
1 year change in estimated timing of an IPO	2.1	(1.9)

13. Provisions and other liabilities

	As at September 30, 2024	As at December 31, 2023
Performance Awards (note 16(c))	2,575	6,687
Deferred Share Units (note 16(d))	4,433	4,579
Deferred revenue (a)	5,613	6,603
Lease liability (b)	3,032	1,967
Decommissioning liability (c)	117,049	62,155
Balance, end of period	**132,702**	**81,991**
Current provisions and other liabilities	12,819	20,054
Non-current provisions and other liabilities	119,883	61,937

(a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future delivery of natural gas. Deferred revenue is recognized over the course of the 10-year natural gas supply agreement (note 8).

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	6,603	6,603
Recognized in natural gas and liquids sales	(990)	-
Balance, end of period	**5,613**	**6,603**
Current deferred revenue	660	6,603
Non-current deferred revenue	4,953	-

(b) Lease liability

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

A reconciliation of the lease liability is provided below:

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	1,967	2,154
Additions	1,366	412
Business combination additions (note 6)	272	-
Interest expense	112	92
Lease payments	(685)	(691)
Balance, end of period	**3,032**	**1,967**
Current lease liability	895	522
Non-current lease liability	2,137	1,445

13. Provisions and other liabilities (continued)

(c) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids properties including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2024 and 2078. A risk-free rate of 3.13% (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 September 30, 2024. As at September 30, 2024, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was $153.9 million (December 31, 2023 – $82.6 million).

A reconciliation of the decommissioning liability is provided below:

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	62,155	41,945
Accretion expense	1,871	1,444
Liabilities incurred	965	4,472
Liabilities acquired (note 6)	28,269	-
Revaluation of liabilities acquired(1)	24,694	-
Change in estimates	(1,175)	2,263
Change in estimates expensed(2)	-	8,898
Effect of change in risk-free rate and inflation rate factor	1,258	7,176
Liabilities settled	(988)	(4,043)
Balance, end of period	**117,049**	**62,155**
Current decommissioning liability	5,403	3,000
Non-current decommissioning liability	111,646	59,155

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

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

14. Share capital

a) Authorized

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

	Common Shares (# of shares)	Share capital ($000)
Balance at December 31, 2022	171,652,768	2,105,013
Shares issued on Performance Share Unit settlements (note 16 (a))	3,675,083	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,509
Shares purchased and cancelled under NCIB	(13,102,671)	(159,281)
Balance at December 31, 2023	**162,225,180**	**1,952,241**
Issuance of common shares	5,910,000	62,643
Shares issued on Performance Share Unit settlements (note 16 (a))	1,246,713	-
Contributed surplus transferred on Performance Share Unit settlements	-	3,881
Shares purchased and cancelled under NCIB	(2,409,800)	(29,000)
Balance at September 30, 2024	**166,972,093**	**1,989,765**

b) Issued

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

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

c) Normal Course Issuer Bid ("NCIB")

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

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

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

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

15. Non-controlling interest ("NCI")

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	101	1,425
Net loss and comprehensive loss attributable to NCI	(1,154)	(1,324)
Balance, end of period	**(1,053)**	**101**

16. Long-term compensation plans

(a) Performance Award Incentive Plan – Performance Share Units

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

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2022	3,982,946
Granted	956,920
Vested and settled	(2,012,178)
Forfeited	(108,274)
Balance at December 31, 2023	**2,819,414**
Granted	936,734
Vested and settled	(1,246,713)
Forfeited	(159,175)
Balance at September 30, 2024	**2,350,260**

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

(b) Share-based compensation expense

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Total share-based compensation	3,033	1,584	4,698	6,507
Capitalized	(686)	(393)	(1,017)	(1,669)
Share-based compensation expense	**2,347**	**1,191**	**3,681**	**4,838**

16. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a current and non-current liability (note 13) until eventually settled in cash.

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	6,687	9,277
Performance Award expense	821	3,822
Interest expense	46	43
Vested and settled	(4,979)	(6,455)
Balance, end of period	**2,575**	**6,687**
Current	1,428	5,350
Non-current	1,147	1,337

(d) Deferred Share Units

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

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2022	689,310
Granted	52,218
Settled	(204,848)
Balance at December 31, 2023	**536,680**
Granted	44,877
Settled	(112,498)
Balance at September 30, 2024	**469,059**

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	4,579	6,528
Granted	445	449
Revaluation of outstanding Deferred Share Units	367	(663)
Settled	(958)	(1,735)
Balance, end of period	**4,433**	**4,579**

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

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

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Net income (loss) attributable to Advantage shareholders				
Basic and diluted	(6,490)	28,314	4,589	60,571
Weighted average shares outstanding				
Basic	166,972,093	167,702,032	162,940,712	167,433,949
Performance Share Units	-	4,480,002	3,175,420	5,544,676
Diluted	166,972,093	172,182,034	166,116,132	172,978,625
Net income (loss) per share attributable to Advantage shareholders				
Basic ($/share)	(0.04)	0.17	0.03	0.36
Diluted ($/share)	(0.04)	0.16	0.03	0.35

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

18. Revenues

(a) Natural gas and liquids sales

For the three and nine months ended September 30, 2024, and 2023, natural gas and liquids sales was as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Crude oil	71,717	25,894	121,860	64,026
Condensate	9,259	11,983	31,165	30,665
NGLs	18,155	16,433	48,156	43,550
Liquids	**99,131**	**54,310**	**201,181**	**138,241**
Natural Gas	40,709	86,414	178,637	255,722
Natural gas and liquids sales	**139,840**	**140,724**	**379,818**	**393,963**

At September 30, 2024, receivables from contracts with customers, which are included in trade and other receivables, were $39.5 million (December 31, 2023 - $42.4 million).

(b) Sales of purchased natural gas

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

(c) Processing and other income

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Processing income	1,060	2,301	4,904	5,128
Other	-	2	282	15
Total processing and other income	**1,060**	**2,303**	**5,186**	**5,143**

19. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Source (use) of cash:				
Trade and other receivables	(18,690)	5,883	(6,532)	43,587
Prepaid expense and deposits	(1,196)	(1,898)	3,378	(4,443)
Trade and other accrued liabilities	29,078	16,076	21,172	(5,157)
Inventory	-	-	620	(4,842)
Deferred revenue	(165)	-	(990)	-
Performance Awards	481	793	(4,112)	(3,398)
Deferred Share Units	(208)	428	(146)	(1,664)
	9,300	**21,282**	**13,390**	**24,083**
Related to operating activities	(4,662)	9,934	2,164	5,140
Related to financing activities	-	-	-	-
Related to investing activities	13,962	11,348	11,226	18,943
	9,300	**21,282**	**13,390**	**24,083**

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Cash flows				
Common shares repurchased	-	(15,826)	(21,347)	(77,343)
Common shares issued	-	-	65,010	-
Issuance costs on shares issued	-	-	(2,905)	-
Draws on Credit Facility	145,000	25,000	715,000	105,000
Repayment of Credit Facility	(165,000)	(25,000)	(455,000)	(55,000)
Bankers' acceptance and other fees	(229)	(5,432)	(15,050)	(14,019)
Proceeds from unsecured debentures	20,000	15,000	30,000	15,000
Issuance costs on unsecured debentures	(1,145)	(1,167)	(2,300)	(1,167)
Proceeds from convertible debentures	-	-	143,750	-
Issuance costs on convertible debentures	(59)	-	(6,482)	-
Lease payments	(259)	(190)	(685)	(473)
Financing payments	(3,289)	(3,201)	(9,796)	(9,500)
Net cash flows	**(4,981)**	**(10,816)**	**440,195**	**(37,502)**
Non-cash changes				
Amortization of bankers' acceptance fees	1,772	5,117	11,747	12,946
Lease liability interest expense	46	24	112	70
Financing liability interest expense	2,066	2,113	6,234	6,343
Total non-cash changes	**3,884**	**7,254**	**18,093**	**19,359**
Cash provided by (used in) financing activities	**(1,097)**	**(3,562)**	**458,288**	**(18,143)**

20. Commitments

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

	Payments due by period						
($ millions)	Total	2024 3 months	2025	2026	2027	2028	Beyond
Building operating cost [1]	2.4	0.2	0.8	0.8	0.6	-	-
Processing	190.9	2.5	24.8	28.1	28.1	28.2	79.2
Transportation	682.0	23.3	97.8	83.2	73.9	46.3	357.5
Total commitments	**875.3**	**26.0**	**123.4**	**112.1**	**102.6**	**74.5**	**436.7**

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

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

The following ratio has been calculated on a consolidated basis for the twelve-month period ended September 30, 2024. This ratio is based on Advantage Energy Ltd.'s Condensed Consolidated Financial Statements that are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

	Twelve months ended September 30, 2024
Earnings Coverage Ratio[1][2]	2.5x

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

(2) As a result of the Corporation's acquisition of Charlie Lake and Montney assets (the "Acquired Assets"), results from June 24, 2024 to September 30, 2024 include results from the Acquired Assets. Financial information prior to the acquisition from October 1, 2023 to June 23, 2024 does not reflect results from the Acquired Assets.

ABBREVIATIONS

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

Other

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

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

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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

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PricewaterhouseCoopers LLP

Bankers

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National Bank of Canada
Royal Bank of Canada
Canadian Imperial Bank of Commerce
ATB Financial
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Toronto Stock Exchange Trading Symbols

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