ADVANTAGE ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

Independent auditor's report

To the Shareholders of Advantage Energy Ltd.

Our opinion

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

What we have audited
The Corporation's consolidated financial statements comprise:

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

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
The impact of proved and probable reserves on property, plant and equipment within natural gas and liquids properties *Refer to note 3 – Material accounting policies, note 4 – Material accounting judgments, estimates and assumptions, and note 11 – Natural gas and liquids properties to the consolidated financial statements* The Corporation has $2,677 million of net property, plant and equipment within natural gas and liquids properties as at December 31, 2024. The related depreciation expense was $197 million for the year then ended. Property, plant and equipment is depreciated using the units-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Proved plus probable reserves are determined using key assumptions related to the estimated future cost of developing and extracting those reserves, recovery factors and future natural gas and liquids prices. The proved and probable reserves are estimated by the Corporation's independent qualified reserve evaluator (management's expert). We considered this a key audit matter due to (i) the judgments by management, including the use of management's expert, when estimating the	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the total proved plus probable reserves, which included the following: – The work of management's expert was used in performing the procedures to evaluate the reasonableness of the proved and probable reserves used to determine depreciation expense. As a basis for using this work, the competence, capabilities and objectivity of management's expert were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's expert, tests of the data used by management's expert and an evaluation of their findings. – Evaluated the reasonableness of key assumptions used by management in developing the estimates, including: o Estimates of recovery factors, future costs of developing and extracting proved and probable reserves by considering the past performance of the Corporation and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable; and

Key audit matter	How our audit addressed the key audit matter
proved plus probable reserves and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions used by management.	o Future natural gas and liquids prices by comparing forecasts with other reputable third-party industry forecasts. • Recalculated the units-of-production rates used to calculate depreciation expense.
Valuation of property, plant and equipment acquired in a business combination *Refer to note 3 – Material accounting policies, note 4 – Material accounting judgments, estimates and assumptions, and note 10 – Business combination to the consolidated financial statements.* On June 24, 2024, the Corporation completed the acquisition of certain Charlie Lake and Montney assets for cash consideration of $445 million, including closing adjustments. This transaction was accounted for as a business combination using the acquisition method, which requires that the identifiable assets acquired, and liabilities assumed be measured at their fair values at the acquisition date. The fair value of property, plant and equipment acquired and recorded within natural gas and liquids properties was $467 million (the acquired PP&E Assets). Management determined the fair value of the acquired PP&E Assets based on a discounted cashflow model, calculating the present value of the expected future after-tax cash flows derived from the acquired oil and gas reserves. The assumptions and estimates used to determine the fair value of the acquired PP&E Assets require significant judgment by management and include estimates of oil and gas reserves acquired, production forecasts, production costs, forecast benchmark commodity	Our approach to addressing the matter included the following procedures, among others: • The work of management's internal expert was used in performing the procedures to evaluate the reasonableness of the estimates of oil and gas reserves acquired. As a basis for using this work, the competence, capabilities and objectivity of management's internal expert were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's internal expert, and an evaluation of their findings. • Tested how management determined the fair value of the acquired PP&E Assets, which included the following: – Evaluated the appropriateness of the method used by management in determining the fair value. – Tested the underlying data used in the discounted cash flow model. – Evaluated the reasonableness of the assumptions used in determining the underlying fair value by: o Considering whether production forecasts, timing and amounts of future development costs and production costs were consistent with the actual

Key audit matter	How our audit addressed the key audit matter
prices, timing and amounts of future development costs and discount rate. The acquired oil and gas reserves are prepared by the Corporation's internal qualified reserve engineers (management's internal expert). We considered this a key audit matter due to the significant judgment applied by management, including the use of management's internal expert, when determining the fair value of the acquired PP&E Assets, including development of assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the assumptions used by management. The audit effort also involved the use of professionals with specialized skill and knowledge in the field of valuation.	performance of the acquired PP&E Assets, and whether they were consistent with evidence obtained in other areas of the audit; and o Comparing forecast benchmark commodity prices to third-party industry forecasts. • Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rate

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 4, 2025

Advantage Energy Ltd.
Consolidated Statements of Financial Position

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

Commitments (note 28)

See accompanying Notes to the Consolidated Financial Statements

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

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

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

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

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)

	Share 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 and comprehensive income	-	-	-	21,719	(1,607)	**20,112**
Share-based compensation (note 21(b))	-	-	4,950	-	-	**4,950**
Issuance of convertible debentures (note 14)	-	12,859	-	-	-	**12,859**
Settlement of Performance Share Units (note 19)	3,891	-	(4,962)	-	-	**(1,071)**
Common shares issued (note 19)	62,643	-	-	-	-	**62,643**
Common shares repurchased (note 19)	(29,536)	-	7,797	-	-	**(21,739)**
Balance, December 31, 2024	**1,989,239**	**12,859**	**194,819**	**(561,261)**	**(1,506)**	**1,634,150**

	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 and comprehensive income	-	-	101,597	(1,324)	**100,273**
Share-based compensation (note 21(b))	-	8,788	-	-	**8,788**
Settlement of Performance Share Units (note 19)	6,509	(6,509)	-	-	**-**
Common shares repurchased (note 19)	(159,281)	41,938	-	-	**(117,343)**
Balance, December 31, 2023	**1,952,241**	**187,034**	**(582,980)**	**101**	**1,556,396**

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

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

See accompanying Notes to the 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 ("CCS") solutions to emitters of carbon dioxide through its subsidiary, Entropy Inc. ("Entropy"). Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage’s head office address is 2200, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation’s common shares are listed on the Toronto Stock Exchange under the symbol “AAV”. The Corporation’s convertible debentures are listed on the Toronto Stock Exchange under the symbol “AAV.DB”.

2. Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

3. Material accounting policies

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

(a) Cash and cash equivalents

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

(b) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Joint arrangements

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

(c) Financial instruments

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

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

3. Material accounting policies (continued)

(c) Financial instruments (continued)

Derivative assets and liabilities

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

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

Convertible debentures

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

Impairment of Financial Assets

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

3. Material accounting policies (continued)

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

(i) Recognition and measurement

Exploration and evaluation costs

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

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

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

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

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

Property, plant and equipment

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

(ii) Subsequent costs

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

3. Material accounting policies (continued)

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

(iii) Depreciation

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

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

Natural gas processing plants	50 years
Carbon capture equipment	50 years

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

(iv) Dispositions

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

(v) Impairment

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

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

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

3. Material accounting policies (continued)

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

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

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

(e) Business combinations

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

(f) Decommissioning liability

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

(g) Long-term compensation

(i) Share-based compensation

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

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

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

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

3. Material accounting policies (continued)

(g) Long-term compensation

(ii) Performance Awards

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

(iii) Deferred Share Units ("DSU")

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

(h) Revenue

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

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

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

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

3. Material accounting policies (continued)

(i) Income tax

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

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

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

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

(j) Net income per share attributable to Advantage shareholders

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

(k) Share capital

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

3. Material accounting policies (continued)

(l) Government grants and investment tax credits

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

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

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

(m) Segment reporting

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

(n) New accounting policies

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

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

3. Material accounting policies (continued)

(o) Future accounting pronouncements

IFRS 18 *Presentation and Disclosure in Financial Statements*

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

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

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

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

4. Material accounting judgments, estimates and assumptions

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

(a) Reserves base

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

(b) Determination of cash generating unit

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

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

(c) Indicators of impairment and calculation of impairment

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

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

(d) Derivative assets and liabilities

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

(e) Unsecured debentures

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

(f) Share-based compensation

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

(g) Decommissioning liability

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

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

(h) Income taxes

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

(i) Business combinations

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

5. Segmented reporting

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

Advantage (natural gas and liquids producer)

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

Entropy (carbon capture and storage)

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

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

Adjusted funds flow

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

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

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

5. Segmented reporting (continued)

The following table is a summary of the segmented results:

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

5. Segmented reporting (continued)

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

6. Cash and cash equivalents

	December 31 2024	December 31 2023
Cash at financial institutions	20,146	19,261

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

7. Trade and other receivables

	December 31 2024	December 31 2023
Trade receivables	79,561	49,604
Receivables from joint venture partners	3,627	3,774
	83,188	**53,378**

8. Inventory

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

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

9. Intangible assets

Cost	
Balance at December 31, 2022	4,011
Additions	1,465
Balance at December 31, 2023	**5,476**
Additions	1,135
Balance at December 31, 2024	**6,611**

Accumulated amortization	
Balance at December 31, 2022	-
Amortization	113
Balance at December 31, 2023	**113**
Amortization	1,252
Balance at December 31, 2024	**1,365**

Net book value	
At December 31, 2023	5,363
At December 31, 2024	**5,246**

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

10. Business combination

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

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

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

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

Consideration	
Cash consideration	445,274

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

11. Natural gas and liquids properties

Cost	Right-of-use assets	Exploration and evaluation assets	Property, plant and equipment	Total
Balance at December 31, 2022	2,977	15,791	3,198,459	3,217,227
Additions	412	9,181	272,150	281,743
Capitalized share-based compensation (note 21(b))	-	-	2,242	2,242
Capitalized interest paid-in-kind (note 16)	-	-	303	303
Changes in decommissioning liability (note 17(c))	-	-	13,911	13,911
Transfers	-	(8,570)	8,570	-
Lease expiries	-	(441)	-	(441)
Expired right-of-use assets	(136)	-	-	(136)
Balance at December 31, 2023	**3,253**	**15,961**	**3,495,635**	**3,514,849**
Additions	1,366	-	301,923	303,289
Business combination (note 10)	272	6,838	466,705	473,815
Asset Dispositions[1]	-	-	(11,421)	(11,421)
Capitalized share-based compensation (note 21(b))	-	-	1,058	1,058
Capitalized interest paid-in-kind (note 16)	-	-	1,646	1,646
Changes in decommissioning liability (note 17(c))	-	-	37,247	37,247
Transfers	-	(5,879)	5,879	-
Lease expiries	-	(1,747)	-	(1,747)
Expired right-of-use assets	(73)	-	-	(73)
Balance at December 31, 2024	**4,818**	**15,173**	**4,298,672**	**4,318,663**

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	823	-	197,414	198,237
Expired right-of-use assets	(73)	-	-	(73)
Balance at December 31, 2024	**2,273**	**-**	**1,621,538**	**1,623,811**

Net book value				
At December 31, 2023	1,730	15,961	2,071,511	2,089,202
At December 31, 2024	**2,545**	**15,173**	**2,677,134**	**2,694,852**

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

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

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

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

11. Natural gas and liquids properties (continued)

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

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

12. Financial risk management

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

Fair value is determined following a three-level hierarchy:

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

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

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

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

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

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

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

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

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

12. Financial risk management (continued)

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

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

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

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

12. Financial risk management (continued)

(a) Credit risk

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

	December 31 2024	December 31 2023
Trade and other receivables	83,188	53,378
Deposits	5,713	12,600
Derivative assets	128,989	111,248
	217,890	**177,226**

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

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

(b) Liquidity risk

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

12. Financial risk management (continued)

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

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

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

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

12. Financial risk management (continued)

(b) Liquidity risk (continued)

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

December 31, 2024		Undiscounted cash flows[3]	Less than one year	One to three years	Beyond
Trade and other accrued liabilities		116,609	116,609	-	-
Deferred Share Units		4,869	4,869	-	-
Derivative liability		13,524	8,900	4,624	-
Performance Awards		4,995	1,187	3,808	-
Lease liability		3,252	1,195	1,946	111
Financing liability		137,041	13,050	39,185	84,806
Convertible debentures	- principal	143,750	-	-	143,750
	- interest	32,334	7,188	21,582	3,564
Bank indebtedness	- principal	475,000	-	475,000	-
	- interest [1]	46,955	31,303	15,652	-
Unsecured debentures	- principal[2]	101,000	-	-	101,000
	- interest [2]	70,974	8,080	24,240	38,654
		1,150,303	**192,381**	**586,037**	**371,885**

December 31, 2023		Undiscounted cash flows[3]	Less than one year	One to three years	Beyond
Trade and other accrued liabilities		70,606	70,606	-	-
Deferred Share Units		4,579	4,579	-	-
Derivative liability		964	964	-	-
Performance Awards		9,676	5,917	3,759	-
Lease liability		2,409	585	1,466	358
Financing liability		150,164	13,086	39,150	97,928
Bank indebtedness	- principal	215,000	-	215,000	-
	- interest [1]	26,961	17,974	8,987	-
Unsecured debentures	- principal [2]	40,807	-	-	40,807
	- interest [2]	28,021	3,200	9,600	15,221
		549,187	**116,911**	**277,962**	**154,314**

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

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

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

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

12. Financial risk management (continued)

(c) Commodity price risk

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

	Net Income Impact ($ millions)	
Price Assumptions	**+10%**	**(10)%**
Forward AECO natural gas price	(16.3)	16.3
Forward Dawn natural gas price	(9.6)	9.6
Forward PJM electricity price	9.2	(10.5)
Forward WTI price	(14.7)	14.7

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

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

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

12. Financial risk management (continued)

(c) Commodity price risk (continued)

Natural Gas - Embedded Derivative

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

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

(d) Interest rate risk

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

(e) Foreign exchange risk

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

12. Financial risk management (continued)

(e) Foreign exchange risk (continued)

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

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

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

(f) Capital management

The Corporation manages its capital with the following objectives:

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

Advantage monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Corporation is composed of working capital (cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables), financing liabilities, bank indebtedness, unsecured debentures, convertible debentures and share capital. Advantage may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

12. Financial risk management (continued)

(f) Capital management (continued)

Working capital

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

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

	December 31 2024	December 31 2023
Cash and cash equivalents	20,146	19,261
Trade and other receivables	83,188	53,378
Prepaid expenses and deposits	10,000	16,618
Trade and other accrued liabilities	(116,609)	(70,606)
Working capital surplus (deficit)	**(3,275)**	**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 December 31, 2024 and December 31, 2023 is as follows:

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

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

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

13. Bank indebtedness

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

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

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

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

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

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

13. Bank indebtedness (continued)

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

14. Convertible debentures

	Convertible 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	-	2,016	-
Balance, December 31, 2024	**143,750**	**122,583**	**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.

14. Convertible debentures (continued)

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

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

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

15. Financing liability

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

A reconciliation of the financing liability is provided below:

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

16. Unsecured debentures

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

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

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

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

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

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

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

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

16. Unsecured debentures (continued)

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

	Year ended December 31, 2024	Year ended December 31, 2023
Balance, beginning of the year	18,444	9,744
Issuances	21,034	3,094
Revaluation	866	5,606
Balance, end of year	**40,344**	**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 December 31, 2024 includes estimated share price, estimated timing and probability of an IPO, share price volatility and credit spread. The below table provides the impact to the valuation of the derivative liability by adjusting the inputs below:

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

17. Provisions and other liabilities

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

(a) Deferred revenue

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

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

17. Provisions and other liabilities (continued)

(b) Lease liability

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

A reconciliation of the lease liability is provided below:

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

(c) Decommissioning liability

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

A reconciliation of the decommissioning liability is provided below:

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

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

18. Income taxes

The provision for income taxes is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Current income tax expense	-	-
Deferred income tax expense	12,805	35,635
Income tax expense	**12,805**	**35,635**

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

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

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

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

18. Income taxes (continued)

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

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

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

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

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

19. Share capital

(a) Authorized

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

	Common Shares (# of shares)	Share capital ($000)
Balance at December 31, 2022	**171,652,768**	**2,105,013**
Shares issued on Performance Share Unit settlements (note 21 (a))	3,675,083	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,509
Shares purchased and cancelled under NCIB	(13,102,671)	(159,281)
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 21 (a))	1,251,060	-
Contributed surplus transferred on Performance Share Unit settlements	-	3,891
Shares purchased and cancelled under NCIB	(2,454,800)	(29,536)
Balance at December 31, 2024	**166,931,440**	**1,989,239**

(b) Issued

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

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

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

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

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

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

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

20. Non-controlling interest ("NCI")

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

	Year ended December 31	
	2024	2023
Balance, beginning of the year	101	1,425
Net loss and comprehensive loss attributable to NCI	(1,607)	(1,324)
Balance, end of year	**(1,506)**	**101**

21. Long-term compensation plans

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

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

The following table is a continuity of Performance Share Units:

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

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

21. Long-term compensation plans (continued)

(b) Share-based compensation expense

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

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

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a current and non-current liability (note 17) until eventually settled in cash.

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

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

(d) Deferred Share Units ("DSU")

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

The following table is a continuity of Deferred Share Units:

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

21. Long-term compensation plans (continued)

(d) Deferred Share Units (continued)

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

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

22. Net income per share attributable to Advantage shareholders

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

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

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

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

23. Revenues

(a) Natural gas and liquids sales

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

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

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

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

(b) Sales of purchased natural gas

	Year ended December 31	
	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

	Year ended December 31	
	2024	**2023**
Processing income	5,467	7,612
Other	1,340	15
Total processing and other income	**6,807**	**7,627**

24. General and administrative expense

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

25. Finance expense

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

26. Related party transactions

(a) Key management compensation

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

	Year ended December 31	
	2024	**2023**
Salaries, director fees and short-term benefits	8,428	5,594
Share-based compensation and Performance Awards [1]	3,481	6,602
	11,909	**12,196**

[1] Represents that total share-based compensation expense, before capitalization, for key management personnel.

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

27. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

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

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

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

28. Commitments

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

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

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

ABBREVIATIONS

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

Other

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

Directors

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

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

Officers

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

Corporate Secretary

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

Auditors

PricewaterhouseCoopers LLP

Bankers

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

Independent Reserve Evaluators

McDaniels & Associates Consultants Ltd.

Legal Counsel

Burnet, Duckworth and Palmer LLP

Transfer Agent

Computershare Trust Company of Canada

Corporate Office

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

Contact Us

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

Toronto Stock Exchange Trading Symbols

AAV: Common Shares
AAV.DB: Debentures