Yangarra Resources Ltd.
Management's Discussion and Analysis
For three months ended March 31, 2021 and 2020

Management's discussion and analysis ("MD&A") of the financial condition and the results of operations should be read in conjunction with the March 31, 2021 unaudited condensed interim consolidated financial statements and the December 31, 2020 audited consolidated financial statements, together with the accompanying notes.

Yangarra Resources Ltd. (the "Company" or "Yangarra") is a publicly traded company involved in the production, exploration and development of resource properties in Western Canada. The address of the registered office is 1530, 715 – 5 Avenue SW, Calgary Alberta, T2P 2X6.

Additional information about Yangarra filed with Canadian securities commissions is available on-line at www.sedar.com.

The MD&A has been prepared using information that is current to April 28, 2021.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Throughout this discussion, percentage changes are calculated using numbers rounded to the decimal to which they appear. All references to dollar amounts are in Canadian dollars.

BOE Presentation

Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalent wellhead value for the individual products. Such disclosure of boe may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

Non–IFRS and Additional IFRS Measures

This document contains "funds flow from (used in) operations", which is an additional IFRS measure. The Company uses funds flow generated from (used in) operations as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment. This document also contains the terms "net debt or adjusted working capital (deficit)" and "netbacks", which are non-IFRS financial measures. The Company uses these measures to help evaluate its performance. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

<u>Funds flow from operations</u>

Yangarra's determination of funds flow from operations and funds flow from operations per share may not be comparable to that reported by other companies. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt, if applicable. Funds flow from operations is calculated using cash from operating activities before changes in non-cash working capital and decommissioning costs incurred. Yangarra presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of income per share.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

The following table reconciles funds flow from operations to cash from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

	2021 Q1	2020 Q1
Cash from operating activities	$ 12,986	$ 15,725
Changes in non-cash working capital	4,105	(432)
Funds flow from operations	$ 17,091	$ 15,293

<u>Netbacks</u>

The Company considers corporate netbacks to be a key measure as they demonstrate Yangarra's profitability relative to current commodity prices. Corporate netbacks are comprised of operating, field operating, funds flow from operations and net income / (loss) netbacks. Operating netback is calculated as the average sales price of its commodities (including realized gains on financial instruments) and then subtracts royalties, operating costs and transportation expenses. Field operating netback subtracts the realized gains on financial instruments, Funds flow from operations netback starts with the operating netback and further deducts general and administrative costs, finance expense and adds finance income. To calculate the net income (loss) netback, Yangarra takes the funds flow netback and deducts share-based compensation expense as well as depletion and depreciation charges, accretion expense, unrealized gains on financial instruments, any impairment or exploration and evaluation expense and deferred income taxes. There is no IFRS measure that is reasonably comparable to netbacks.

<u>Funds flow from operations margins and operating margins</u>

Are calculated as the ratio of Funds flow from operations netbacks to sales price and operating netback to sales price.

<u>Adjusted net debt</u>

Adjusted net debt, which represent current assets less current liabilities, excluding current derivative financial instruments, are used to assess efficiency, liquidity and the general financial strength of the Company. There is no IFRS measure that is reasonably comparable to net debt or adjusted working capital (deficit).

	Mar 31, 2021	Mar 31, 2020
Bank Debt	$ 201,269	$ 190,755
Accounts receivable	(22,865)	(20,387)
Prepaid expenses and inventory	(4,878)	(6,637)
Accounts payable and accrued liabilities	25,902	34,522
Adjusted net Debt	$ 199,428	$ 198,253

<u>Adjusted earnings before interest, taxes, depletion & depreciation, amortization</u>

Adjusted earnings before interest, taxes, depletion & depreciation, amortization ("Adjusted EBITDA") which represents EBITDA, excluding changes in the fair value of interest rate and commodity contracts, are used to assess efficiency, liquidity and the general financial strength of the Company.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

	2021 Q1	2020 Q1
Net income for the Period	$ 9,117	$ 2,835
Finance	290	4,655
Deferred tax expense	2,802	1,042
Depletion and depreciation	6,320	9,222
Change in fair value of commodity contracts	1,120	(627)
Adjusted EBITDA	$ 19,649	$ 17,127

Working capital (deficit) surplus

Working capital (deficit) surplus is the total of current assets less the total of current liabilities and is used to assess efficiency, liquidity and the general financial strength of the Company

Forward-looking Statements

Certain information regarding the Company set forth in this report, including management's assessment of the Company's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond the Company's control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits the Company can derive from such events.

Overview

Yangarra is a junior oil and gas company engaged in the exploration, development and production of natural gas and oil with operations in Western Canada, with a main focus on the Cardium in Central Alberta, where the Company has extensive infrastructure and land holdings. Yangarra is dedicated to creating value for its shareholders through its commitment to a clear business strategy and performance objectives. The Company's strategy is to increase the value of its corporate assets through the drill bit and by assembling a large, focused land base in Central Alberta that features high-quality, long-life light oil and liquids-rich gas reserves. The Company has assembled a significant future drilling inventory and will strive to grow this inventory through drilling, geology and strategic acquisitions.

First Quarter Highlights

- Average production of 8,736 boe/d (47% liquids) during the quarter, a 28% decrease from the same period in 2020
- Oil and gas sales were $28.4 million, an increase of 4% from the same period in 2020
- Funds flow from operations of $17.0 million ($0.20 per share – basic), an increase of 11% from the same period in 2020
- Adjusted EBITDA was $19.6 million ($0.23 per share - basic)
- Net income of $9.1 million ($0.11 per share – basic, $11.9 million before tax), an increase of 222% from the same period in 2020
- Operating costs were $5.84/boe (including $1.10/boe of transportation costs)
- Field operating netbacks were $28.29/boe
- Operating netbacks, which include the impact of commodity contracts, were $25.95/boe
- Operating margins were 72% and funds flow from operations margins were 60%
- G&A costs of $0.67/boe
- Royalties were 6% of oil and gas revenue
- All in cash costs were $12.25/boe
- Capital expenditures were $18.6 million
- Net debt (which excludes the current derivative financial instruments) was $199.4 million
- Net Debt to first quarter annualized funds flow from operations was 2.9 : 1
- Retained earnings of $117.8 million
- Corporate LMR is 6.9 with decommissioning liabilities of $12.3 million (discounted)

<u>Operations Summary</u>

The Company drilled 7 wells and completed 8 wells during the quarter, with a majority of the wells brought onstream in late March, resulting in higher exit production for the quarter. Drilling operations have commenced on a five-well pad which is targeted to be brought on production before the end of the second quarter. Production during the quarter was negatively impacted by inclement weather and completions activity on adjacent pads. As part of the Company's disciplined approach to costs, Yangarra continues to avoid expensive third-party takeaway options when mid-streamers shut down for maintenance.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Financial Information

		2021 Q1		2020 Q1
Statements of Income and Comprehensive Income				
Petroleum & natural gas sales	$	28,475	$	27,435
Income before tax	$	11,919	$	3,877
Net income	$	9,117	$	2,835
Net income per share - basic	$	0.11	$	0.03
Net income per share - diluted	$	0.10	$	0.03
Statements of Cash Flow				
Funds flow from operations	$	17,091	$	15,293
Funds flow from operations per share - basic	$	0.20	$	0.18
Funds flow from operations per share - diluted	$	0.20	$	0.18
Cash from operating activities	$	12,986	$	15,725
Statements of Financial Position				
Property and equipment	$	575,296	$	558,956
Total assets	$	625,776	$	608,468
Working capital deficit	$	(1,656)	$	(9,278)
Adjusted net debt	$	199,428	$	198,253
Shareholders' equity	$	321,784	$	307,265
Weighted average number of shares - basic		85,416		85,380
Weighted average number of shares - diluted		87,159		85,524

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Business Environment

		2021 Q1		2020 Q1
Realized Pricing (Including realized commodity contracts)				
Oil ($/bbl)	$	60.80	$	52.19
NGL ($/bbl)	$	38.48	$	16.64
Gas ($/mcf)	$	3.07	$	2.11
Realized Pricing (Excluding commodity contracts)				
Oil ($/bbl)	$	68.33	$	52.05
NGL ($/bbl)	$	38.60	$	16.59
Gas ($/mcf)	$	3.14	$	2.11
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US$/bbl)	$	57.91	$	46.17
Edmonton Par ($/bbl)	$	68.79	$	51.44
Edmonton Par to WTI differential (US$/bbl)	$	(3.57)	$	(7.85)
Natural Gas Price Benchmarks				
AECO gas ($/mcf)	$	2.99	$	2.03
Foreign Exchange				
U.S./Canadian Dollar Exchange		0.79		0.75

Crude oil prices increased by 25% for Q1 2021, with the West Texas Intermediate ("WTI") reference price averaging US$57.91/bbl compared with US$46.17/bbl in the same period in 2020. Demand for crude oil is generally tied to global economic growth, but is also influenced by factors such as infrastructure, political instability, market uncertainty, weather conditions, government regulations, the Saudi Arabia/Russia price war and the COVID-19 demand impact.

Edmonton par differentials to WTI narrowed in Q1 2021 when compared to Q1 2020, moving from a US$7.85/bbl differential in Q1 2020 to US$3.57/bbl in Q1 2021. In Q1 2021, the US/CDN foreign exchange rate was 0.79 compared to 0.75 in Q1 2020. The Edmonton par reference price is denominated in Canadian dollars so the change in the foreign exchange rate has increased the Edmonton par price relative to WTI. Edmonton par is the closest reference price point for Yangarra's oil and therefore is the closest proxy to realized pricing.

When compared to Q1 2020, realized pricing on oil increased by 31% excluding the impact of commodity contracts and increased by 16% including the impact of commodity contracts. The increase in oil pricing is a direct result of increasing WTI pricing and narrowing differentials.

When compared to Q1 2020, liquids pricing increased by 133% excluding the impact of commodity contracts and increased by 131% including the impact of commodity contracts, due to higher condensate pricing which is linked to oil prices and higher butane pricing which is set by mid-streamers.

AECO natural gas prices increased in Q1 2021 by 47% to $2.99/mcf from $2.03/mcf in Q1 2020 and realized pricing on natural gas increased by 49% excluding the impact of commodity contracts and increased by 45% including the impact of commodity contracts.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Results of Operations

Net petroleum and natural gas production, pricing and revenue

		2021 Q1		2020 Q1
Daily production volumes				
Natural gas (mcf/d)		28,022		38,712
Oil (bbl/d)		2,414		3,550
NGL's (bbl/d)		1,652		2,120
Combined (boe/d 6:1)		8,736		12,122
Revenue				
Petroleum & natural gas sales - Gross	$	28,475	$	27,435
Realized gain (loss) on commodity contract settlement		(1,845)		53
Total sales		26,630		27,488
Royalty expense		(1,633)		(1,640)
Total Revenue - Net of royalties	$	24,997	$	25,848

Total sales in Q1 2021 decreased by 3% to $26.6 million from $27.5 million in 2020. The decrease is attributable to:

- a 46% increase in average product prices, excluding the impact of commodity contracts
- a 28% decrease in production (on a boe basis)
- realized losses on commodity contracts of $1.8 million

Company Netbacks ($/boe)

		2021 Q1		2020 Q1
Sales price	$	36.22	$	24.87
Royalty expense		(2.08)		(1.49)
Production costs		(4.75)		(5.67)
Transportation costs		(1.10)		(1.00)
Field operating netback		**28.29**		**16.71**
Realized gain (loss) on commodity contract settlement		(2.35)		0.05
Operating netback		**25.95**		**16.76**
G&A		(0.67)		(0.72)
Cash Finance expenses		(3.66)		(2.17)
Depletion and depreciation		(8.04)		(8.36)
Non Cash - Finance expenses		3.29		(2.11)
Stock-based compensation		(0.28)		(0.51)
Unrealized gain (loss) on financial instruments		(1.42)		0.57
Deferred income tax		(3.56)		(0.94)
Net Income netback	**$**	**11.60**	**$**	**2.51**

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

The overall average price earned by the Company, including the impact of commodity contracts, was higher when compared to Q1 2020 as natural gas prices increased by 45%, oil prices increased by 16% and liquid prices increased by 131%. The average sales price increased by 46% in Q1 2021 when compared to Q1 2020.

Operating netbacks increased by 55% in Q1 2021 with the higher realized pricing and lower costs.

Royalty Expense

	2021 Q1	2020 Q1
Royalty expense	$ 1,633	$ 1,640
Per boe	$ 2.08	$ 1.49
As a % of sales (including commodity contracts)	6%	6%
As a % of sales (excluding commodity contracts)	6%	6%

Royalties as a percentage of sales in Q1 2021 were comparable to Q1 2020. The increase on a per boe basis is a result of lower gas cost allowance amounts from 2020 as the gas infrastructure spending was completed in 2019.

Production and Transportation Costs

	2021 Q1	2020 Q1
Production costs	$ 3,732	$ 6,256
Per boe	$ 4.74	$ 5.67
Transportation costs	$ 863	$ 1,106
Per boe	$ 1.10	$ 1.00
Combined ($/boe)	$ 5.84	$ 6.67

Production and transportation costs decreased by 12% on a per boe basis when compared to Q1 2020 due to the continued cost cutting measures implemented during 2020 and 2021.

The Company's truck division has grown to 18 units. The Company has a full complement of company staffed crew trucks, pressure trucks, wire-line trucks, construction and mechanical services which provide significant savings on operating costs.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Depletion and depreciation

	2021 Q1	2020 Q1
Depletion and depreciation	$ 6,320	$ 9,222
Per boe	$ 8.04	$ 8.36

Depletion and depreciation decreased in Q1 2021 due to decreases in production. On a per boe basis, the depletion rate decreased when compared Q1 2020 due to lower finding and development costs in 2021.

General and administrative expenses ("G&A")

	2021 Q1	2020 Q1
Gross G&A expenses	$ 889	$ 1,080
G&A recoveries	(360)	(285)
Net G&A expenses	$ 529	$ 795
Per boe	$ 0.67	$ 0.72

G&A decreased by 33% on a net basis, 18% on a gross basis and 7% on a boe basis when compared to Q1 2020 due increased capital activity in the Q1 2021 resulting in higher overhead recoveries.

Other expenses

	2021 Q1	2020 Q1
Finance		
Cash interest and finance expense	$ 2,885	$ 2,382
Cash interest on lease obligations	96	50
Realized gain on interest rate contract settlement	-	(34)
Change in fair value of interest rate contracts	(2,782)	2,220
Accretion of decommissioning liability	24	64
Accretion of debt issue costs	110	41
Accretion of lease obligations	(43)	(68)
	$ 290	$ 4,655
Share-based compensation	$ 224	$ 564

Interest and financing fees in Q1 2021 include interest on the revolving operating demand loan (the average amount drawn in 2021 was $203 million), servicing charges on the demand loan and the change in fair value of the interest rate contracts.

The increase in cash interest expense is due to the revised pricing grid on the syndicated facility that was put in place at the end of the second quarter 2020.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

The Company had the following interest rate contracts in place as at March 31, 2021:

- Pay a floating rate to receive a 1.94% fixed rate on $40 million (April 2021-April 2025)
- Pay a floating rate to receive a 1.42% fixed rate on $40 million (April 2021-April 2025)
- Pay a floating rate to receive a 1.39% fixed rate on $20 million (April 2021-April 2025)

The fair value of the interest rate contracts at March 31, 2021 was a net liability of $697 (December 31, 2020 - net liability of $3,376).

In Q1 2021, if interest rates (including the effect of the interest rate contract) had been 1% lower with all other variables held constant, net income in Q1 2021 would have been $461 (2020 - $469) higher, due to lower interest expense. An equal and opposite impact would have occurred had interest rates been higher by the same amount.

In Q1 2021, the Company granted options to purchase 182 common shares, with 50% vesting immediately and 50% vesting one year after the grant date. The fair value of the options was estimated at $0.54 using the Black-Scholes option pricing model.

Commodity price risk contracts

	2021 Q1	2020 Q1
Realized gain (loss) on commodity contract settlement	$ (1,845)	$ 53
Change in fair value of commodity contracts	(1,120)	627
	$ (2,965)	$ 680

As at March 31, 2021 the Company was committed to the following commodity price risk contracts in place:

Year	**Volume**	**Term**	**Reference**	**Type**	**Strike Price**
Oil					
2021	500 bbl/d	Jan - Jun	US$ WTI	Swap	USD $44.70/bbl
2021	500 bbl/d	Apr - Jun	CDN$ WTI	Swap	CDN $71.15/bbl
Gas					
2021	5,000 GJ/d	Jan - Dec	AECO	Swap	CDN $2.805/GJ
Propane					
2021	200 bbl/d	Jan to Dec	Conway - C3 to Mont Belvieu C3	Basis Swap	Minus USD 0.01/Gallon
2022	200 bbl/d	Jan – Dec	Conway - C3 to Mont Belvieu C3	Basis Swap	Plus USD 0.0025/Gallon

As the Company had a limited number of derivatives in place as at March 31, 2021 the sensitivity of the fair value of a 10 percent volatility in commodity prices would have an immaterial impact on unrealized gains (losses) reported in the consolidated statement of income and comprehensive income.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Deferred Taxes

	2021 Q1	2020 Q1
Deferred tax expense	$ 2,802	$ 1,042

Yangarra did not pay income taxes in Q1 2021 and does not expect to pay income taxes in 2021 or into the future as it has sufficient tax pools to cover taxable income. Deferred tax expense is higher in Q1 2021 than in Q1 2020 due to the increased use of tax pools to offset higher expected taxable income in Q1 2021.

Liquidity and Capital Resources

The following table summarizes the change in adjusted net debt during the three months ended March 31, 2021 and year ended December 31, 2020:

	Three months ended March 31, 2020	Year ended December 31, 2020
Adjusted net debt - beginning of period	$ (197,379)	$ (187,711)
Funds flow from operations	17,091	45,524
Additions to property and equipment	(18,587)	(51,093)
Decommissioning costs incurred	-	(389)
Additions to E&E Assets	-	(426)
Issuance of shares	113	-
Other	(570)	(3,284)
Adjusted net debt - end of period	$ (199,332)	$ (197,379)
Credit facility limit	$ 210,000	$ 210,000

As at March 31, 2021, the maximum amount available under the syndicated credit facility was $210 million (December 31, 2020 – $210 million) comprised of a $185 million (December 31, 2020 – $185 million) extendible revolving term credit facility and a $25 million (December 31, 2020 – $25 million) operating facility. The amount available under these facilities is re-determined at least twice a year and is primarily based on the Company's oil and gas reserves, the lending institution's forecast commodity prices, the current economic environment and other factors as determined by the syndicate of lending institutions (the "Borrowing Base"). If the total advances made under the credit facilities are greater than the re-determined Borrowing Base, the Company has 60 days to repay any shortfall. The maturity date of the facility is May 29, 2022 (the "Maturity Date") and the next Borrowing Base review is scheduled for May 30, 2021. The Maturity Date may be extended for 364-day periods pursuant to delivery of a request for extension by the Company within certain time periods specified in the syndicated credit facility agreement.

As at March 31, 2021, the $201,269 (December 31, 2020 – $200,273) reported amount of bank debt was comprised of $17,149 (December 31, 2020 – $16,240) drawn on the operating facility, $184,478 (December 31, 2020 – $184,501) drawn on the extendible revolving term credit facility and net of unamortized transaction costs of $358 (December 31, 2020 – $468).

The Company is subject to a single financial covenant requiring an adjusted working capital ratio above 1:1 (current assets plus the undrawn availability under the revolving facility, divided by the current liabilities less the drawn portion of the revolving facility and excluding unrealized commodity contracts). The Company was in compliance with this covenant as at March 31, 2021 and December 31, 2020. The facility is secured by a general security agreement over all assets of the Company.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

The total standby fees range, depending on the debt to EBITDA ratio, between 200 bps to 400 bps on bank prime borrowings and between 300 bps and 500 bps on bankers' acceptances. The undrawn portion of the credit facility is subject to a standby fee in the range of 75 bps to 125 bps. In Q1 2021, the weighted average effective interest rate for the bank debt was approximately 5.55% (2020 – 4.90%).

The Company intends to fund the 2021 budget with cash flow from operations and availability on the revolving operating demand loan.

Capital Spending

Cash additions	2021 Q1	2020 Q1
Land, acquisitions and lease rentals	$ (121)	$ 104
Drilling and completion	16,527	22,564
Geological and geophysical	271	171
Equipment	1,770	1,968
Other asset additions	140	201
	$ 18,587	$ 25,008
Exploration & evaluation assets	$ -	$ 426

The Company drilled 7 wells and completed 8 wells in Q1 2021.

Outlook

As a result of improving macro conditions, Yangarra's Board of Directors has approved a capital program of $60 million for 2021. The Company's 2020 cost-cutting program has generated significant structural and sustainable per well savings on drilling and completions. Yangarra's most recent drilling and completions costs have averaged $3.25 million per two-mile well, down 24% from an average of $4.25 million over the last two years. As a result, the Company expects to drill & complete 17 wells for 2021.

Decommissioning Liabilities

As at March 31, 2021, the undiscounted decommissioning obligation associated with the Company's existing properties was estimated to be $13,998 for which $12,306 has been recorded using a discount rate of 0.22% - 1.97% an inflation rate of 2% and an estimated weighted average timing of cash flows of 6.7 years.

Off Balance Sheet Arrangements

There were no off-balance sheet arrangements.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Share Capital

Details of changes in the number of outstanding equity instruments are detailed in the following table:

	Common Shares	Stock Options
Balance - December 31, 2020	85,380	8,208
Grant of options	-	183
Forfeited options	-	(25)
Exercise of options	150	(150)
Balance - March 31, 2021 and the date of this MD&A	85,530	8,216

Contingency

In 2016, the Company served an industry partner with a Statement of Claim issued from The Court of Queen's Bench of Alberta, by which the Company claims production was misallocated on a number of wells the industry partner was operating. The industry partner has filed a Statement of Defense. The potential outcome of the lawsuit and claims are uncertain; however, they could be material.

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

Contractual Obligations and Commitments

As at March 31, 2021 the contractual maturities of the Company's obligations are as follows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years
Accounts payable and accrued liabilities	$ 25,902	$ 25,902	$ 25,902	$ -	$ -
Bank debt	201,269	201,626	-	201,626	-
Lease liabilities	4,661	5,495	2,018	1,745	1,732
Interest rate contracts	1,117	1,117	279	279	559
Commodity contracts	1,354	1,354	1,354	-	-
	$ 234,303	$ 235,494	$ 29,553	$ 203,650	$ 2,291

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's accounts receivable are with natural gas and liquids marketers and partners on joint operations in the oil and gas industry and are subject to normal industry credit risks.

Purchasers of the Company's natural gas and liquids are subject to credit review to minimize the risk of non-payment. As at March 31, 2021, the maximum credit exposure is the carrying amount of the accounts receivable of $22,865 (December 31, 2020 – $18,691). The maximum exposure to credit risk for accounts receivable as at March 31, 2021 and December 31, 2020 by type of customer was:

		March 31, 2021		December 31, 2020
Natural gas and liquids marketers	$	10,964	$	8,632
Partners on joint operations		10,800		8,150
Other		1,101		1,909
	$	22,865	$	18,691

As at March 31, 2021 and December 31, 2020, the Company's receivables are aged as follows:

		March 31, 2021		December 31, 2020
Under 30 days	$	11,747	$	10,156
30 to 60 days		2,211		148
60 to 90 days		739		237
Over 90 days		8,168		8,150
	$	22,865	$	18,691

Capital Resources

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its capital expenditure program, which includes expenditures in oil and gas activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure.

The Company considers its capital structure to include shareholders equity and debt:

		March 31, 2021		*December 31, 2020*
Shareholders' equity	$	321,784	$	312,260
Bank debt	$	201,269	$	200,273

The Company monitors capital based on annual cash from operations before changes in non-cash working capital and capital expenditure budgets, which are updated as necessary and are reviewed and periodically approved by the Board of Directors.

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including the current economic conditions, the risk characteristics of the Company's petroleum and natural gas assets, the depth of its investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices and other facts that influence commodity prices and funds from operations such as quality and basis differentials, royalties, operating costs and transportation costs. In order to maintain or adjust the capital structure, the Company considers its forecasted cash from operations before changes in non-cash working capital while attempting to finance an acceptable capital expenditure program including acquisition opportunities, the current level of bank debt available from the Company's lender, the level of bank debt that may be attainable from its lender as a result of petroleum and natural gas reserve growth, the availability of other sources of debt with different characteristics than existing debt, the sale of assets, limiting the size of the capital expenditure program and the issue of new equity if available on favorable terms. At March 31, 2021 and December 31, 2020, the Company's capital structure was subject to the banking covenants. No changes were made to the capital policy in 2021.

In March 2020, the World Health Organization declared COVID-19 a global pandemic; prompting many countries around the world to close international borders and order the closure of institutions and businesses deemed nonessential. At the same time, the Organization of Petroleum Exporting Countries ("OPEC"), and certain other countries, increased the planned supply of crude oil in an attempt to trigger a price war over market share. The sudden decrease in global crude oil demand due to COVID-19 coupled with a planned increase in supply significantly reduced commodity prices. In subsequent months, agreements have been made between OPEC, Russia, and other oil-producing countries around the world that have reduced global crude oil production and brought the oversupply closer into balance with demand. Crude oil prices have partially recovered from the historic lows observed earlier in 2020, but price support from future demand remains uncertain. Efforts to re-open local economies and international borders around the globe resulted in varying degrees of virus outbreak. Many countries have now re-imposed restrictions as regions experience a second/third wave of COVID-19, often with higher rates of infection than the first wave. Vaccination programs have begun around the world, however the pace with which vaccines are administered is dependent on the supply access and logistics organized by individual nations. In addition to the impact on commodity prices and commodity sales from production amounts, the effects of COVID-19 have created other uncertainties in the crude oil and natural gas industry, including increased counterparty credit risk and decreased valuation of long-lived crude oil and natural gas assets. At March 31, 2021, Management has incorporated the anticipated impacts of COVID-19 in its estimates and judgments in preparation of these consolidated financial statements.

Selected Quarterly Financial Information

	2021 Q1($)	2020 Q4($)	2020 Q3($)	2020 Q2($)
Petroleum & natural gas sales	28,475	23,064	18,910	16,290
Net income (loss)	9,117	4,847	537	(2,801)
Net income (loss) per share – basic	0.11	0.05	0.01	(0.03)
Net income (loss) per share – diluted	0.10	0.05	0.01	(0.03)
Funds flow from operations	17,091	12,460	10,038	7,733
Funds flow from operations per share – basic	0.20	0.15	0.12	0.09
Funds flow from operations per share –diluted	0.19	0.15	0.12	0.09
Capital expenditures	18,587	15,100	9,997	1,085

For the three months ended March 31, 2021 (000's, CDN dollars, except per share and per unit)

	2020 Q1($)	2019 Q4($)	2019 Q3($)	2019 Q2($)
Petroleum & natural gas sales	27,435	35,990	31,606	36,473
Net income	2,835	7,020	6,560	18,219
Net income per share – basic	0.03	0.08	0.08	0.21
Net income per share – diluted	0.03	0.08	0.08	0.21
Funds flow from operations	15,293	21,005	19,055	24,445
Funds flow from operations per share – basic	0.18	0.25	0.22	0.29
Funds flow from operations per share –diluted	0.18	0.25	0.22	0.28
Capital expenditures	25,434	20,660	26,603	13,813

Quarterly activities

Fluctuations in quarterly revenues, net income and funds flow from operations over the last eight quarters are due primarily to the volatility in commodity prices and changes in sales volumes due to production growth and declines tied to the timing of drilling activity. The Company has focused capital expenditures on drilling and completions. As a result of lower commodity pricing due to the Saudi Arabia/Russia price war and the COVID-19 demand impact the Company ceased capital expenditures in February 2020 resulting in a decline in production for Q1 and Q2 2020. Drilling and completion operations resumed in Q3 2020 and commodity pricing improved in later 2020 and early 2021.

Business Risks and Uncertainties

The Company is exposed to several operational risks inherent in exploring, developing, producing and marketing crude oil and natural gas. These inherent risks include: economic risk of finding and producing reserves at a reasonable cost; financial risk of marketing reserves at an acceptable price given current market conditions; cost of capital risk associated with securing the needed capital to carry out the Company's operations; risk of environment impact; and credit risk of non-payment for sales contracts and joint venture partners. Other than the risks described herein (including the risks and uncertainties listed in the Forward-Looking Statements section in this MD&A) the Company is also subject to the risk factors set forth in the most recently filed AIF of the Company available on SEDAR which can be accessed at www.sedar.com

The Company attempts to control operating risks by maintaining a disciplined approach to implementation of its exploration and development programs. Exploration risks are managed by hiring experienced technical professionals and by concentrating the exploration activity on reservoirs where the Company has experience and expertise. The Company also generates internal prospects and participates in projects where ownership interest is considered sufficient to minimize risk. Operational control allows the Company to manage costs, timing and sales of production and to ensure new production is brought on-stream in a timely manner. The Company maintains a comprehensive insurance program to reduce risk to an acceptable level and to protect it against significant losses.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which could be material. Senior management continually assesses new and existing regulatory requirements and environmental risks and determines the impact these risks might have on the Company, as well as the appropriate actions necessary to manage those risks. These assessments and the resulting policy decisions are discussed quarterly with the Board of Directors which evaluates the performance and effectiveness of the Company's environmental policies and programs.

The Company's environmental responsibilities includes removing property, plant and equipment as well as reclaiming land and property to its original state, subsequent to the completion of oil and natural gas extraction activities. This requirement results in an asset retirement obligation that provides current recognition of estimated expenditures that will be incurred in the future. The Company's decommissioning liabilities are discussed in further detail under "Critical Accounting Estimates" below, as well as in note 6 to the Company's Consolidated Financial Statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

As at March 31, 2021, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules adopted by the Canadian securities regulatory authorities, was carried out under the supervision and with the participation of Management, including the President and Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and CFO concluded that, as at March 31, 2021, the design and operation of the Company's disclosure controls and procedures were effective in meeting all regulatory filing requirements.

Internal control over financial reporting means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Procedures ("GAAP") and includes those policies and procedures that:

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial reports;

Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

Management has conducted an evaluation of its internal controls over financial reporting and determined that as at March 31, 2021the controls were effective to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external reporting purposes. In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control - Integrated Framework (1992). The control framework Yangarra's officers used to design the Company's ICFR is the 2013 Framework.

During the period beginning on January 1, 2021 and ending on March 31, 2021, there were no material changes to the Company's internal controls over financial reporting, and the CEO and CFO have filed certifications with the Canadian securities regulators regarding the Company's 2020 public filing documents.

Critical Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial position date which are based on information available to management at each financial statement date. Actual results could differ from those estimated. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There have been no changes to the Company's critical accounting judgments and estimates during the period ended March 31, 2021. Refer to Note 2 of the Company's December 31, 2020 audited consolidated financial statements.