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Yangarra Announces 2021 Third Quarter Financial and Operating Results

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Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the three and nine months ended September 30, 2021.

Third Quarter Highlights

- Average production of 8,710 BOE/D (46% liquids) during the quarter, a 4% increase from the same period in 2020
- Sales were $35.9 million, an increase of 90% from the same period in 2020
- Funds flow from operations of $24.1 million ($0.28 per share – basic), an increase of 140% from the same period in 2020
- Adjusted EBITDA was $26.6 million ($0.28 per share – basic)
- Net income of $13.5 million ($0.16 per share – basic, $17.7 million before tax)
- Operating costs were $6.69/BOE (including $0.98/BOE of transportation costs)
- Field operating netbacks were $34.92/BOE
- Operating netbacks, which include the impact of commodity contracts, were $34.58/BOE
- Operating margins were 77% and funds flow from operations margins were 66%
- G&A costs were $0.95/BOE
- Royalties were 7% of revenue
- All in cash costs were $14.69/BOE
- Capital expenditures were $23.5 million
- Adjusted net debt was $201.8 million
- Adjusted net debt to third quarter annualized funds flow from operations was 2.1: 1
- Retained earnings of $139.1 million
- Corporate LMR is 6.4 with decommissioning liabilities of $12.7 million (discounted)

Strategic Update

Yangarra remains committed to being a low-cost producer in Central Alberta with a focus on return on capital employed by generating positive net income. The Company strategically built out the oilfield services group ("OFS") while equipment was favourably priced and quality operations staff were available. The internally owned OFS group includes 50 staff, lease and pipeline construction, fluid hauling, rig-move, pressure trucks, vac/combo trucks, crew trucks and trailers, wireline, proprietary water completion access, three mechanics and a fully equipped service facility. The OFS group will insulate against inflationary pressures as oilfield activity ramps up and will mitigate wait times for scarce services.

Also, because of improving drilling rig efficiencies, the Company will only require one fully utilized rig to drill 30 gross wells a year.

With prevailing commodity prices, Yangarra expects to generate material free cash flow in 2022 and once the Company reaches a 1.0x debt to cash flow, it expects to return a portion of the free cash flow to shareholders via a dividend policy.

Operations Summary

Yangarra drilled seven wells and completed seven wells during the third quarter and has continued to execute on the full-year capital program with well costs averaging at or below previous guidance. Q3 2021 production volumes were negatively impacted by below type-curve initial flush performance at the Company's Chedderville and O'Cheise pad sites. The wells took longer than anticipated to clean up during flowback, however, the initial underperformance is offset by the wells leveling out at a lower decline rate relative to type curve.

In addition, several high-volume wells were shut in during the quarter due to access issues caused by the drilling rig being on location and workovers on recent wells were delayed while Yangarra staff prioritized ongoing completions.

Four additional wells were recently completed at West Ferrier as a follow-up to two confidential wells that were brought on in the summer. These wells did not have the same low initial flush issues during cleanup and as a result, Yangarra remains confident with the corporate type-curve.

The Company has implemented initiatives on a sample of existing wells to flatten declines, improve production profiles and maximize recoveries. Initial results have been very positive and Yangarra expects these initiatives can be applied through-out the inventory of producing wells at a low-cost with short paybacks.

During the fourth quarter of 2021, the Company will drill and complete a four well pad in the Chedderville area and then begin drilling a fourteen well pad in West Ferrier, with completions scheduled for early 2022.

Financial Summary

	2021 Q3	2021 Q2	2020 Q3	Nine Months Ended 2021	Nine Months Ended 2020
Statements of Income and Comprehensive Income					
Petroleum & natural gas sales	$ 35,880	$ 28,529	$ 18,910	$ 92,884	$ 62,635
Income before tax	$ 17,657	$ 10,090	$ 691	$ 39,666	$ 1,635
Net income	$ 13,500	$ 7,753	$ 537	$ 30,370	$ 571
Net income per share - basic	$ 0.16	$ 0.09	$ 0.01	$ 0.35	$ 0.01
Net income per share - diluted	$ 0.15	$ 0.09	$ 0.01	$ 0.34	$ 0.01
Statements of Cash Flow					
Funds flow from operations	$ 24,126	$ 17,240	$ 10,038	$ 58,457	$ 33,064
Funds flow from operations per share - basic	$ 0.28	$ 0.20	$ 0.12	$ 0.68	$ 0.39
Funds flow from operations per share - diluted	$ 0.27	$ 0.19	$ 0.12	$ 0.66	$ 0.39
Cash from operating activities	$ 22,078	$ 19,367	$ 7,411	$ 54,431	$ 24,680
Statements of Financial Position					
Property and equipment	$ 606,945	$ 589,275	$ 557,827	$ 606,945	$ 557,827
Total assets	$ 656,849	$ 636,534	$ 603,817	$ 656,849	$ 603,817
Working capital (deficit) surplus	$ (5,946)	$ (6,667)	$ (6,622)	$ (5,946)	$ (6,622)
Adjusted net debt	$ 201,811	$ 202,662	$ 193,878	$ 201,811	$ 193,878
Shareholders equity	$ 344,397	$ 330,039	$ 307,322	$ 344,397	$ 307,322
Weighted average number of shares - basic	86,051	85,637	85,380	85,704	85,380
Weighted average number of shares - diluted	89,802	89,098	85,677	88,916	85,758

Company Netbacks ($/BOE)

	2021 Q3	2021 Q2	2020 Q3	Nine Months Ended 2021	Nine Months Ended 2020
Sales price	$ 44.78	$ 38.21	$ 24.44	$ 39.79	$ 22.57
Royalty expense	(3.17)	(1.69)	(1.26)	(2.33)	(1.06)
Production costs	(5.71)	(5.49)	(4.83)	(5.31)	(5.34)
Transportation costs	(0.98)	(1.25)	(1.28)	(1.11)	(1.06)
Field operating netback	**34.92**	**29.78**	**17.08**	**31.04**	**15.11**
Realized gain (loss) on commodity contract settlement	(0.33)	(2.07)	(0.41)	(1.57)	(0.12)
Operating netback	**34.58**	**27.71**	**16.67**	**29.48**	**14.99**
G&A	(0.95)	(0.85)	(0.28)	(0.83)	(0.58)
Cash Finance expenses	(3.88)	(4.16)	(3.41)	(2.81)	(4.35)
Depletion and depreciation	(7.62)	(8.09)	(8.60)	(7.91)	(8.46)
Non Cash - Finance expenses	0.52	(0.79)	(1.98)	(0.05)	(0.05)
Stock-based compensation	(0.49)	(0.45)	(0.13)	(0.41)	(0.78)
Unrealized gain (loss) on financial instruments	(0.12)	0.15	(1.37)	(0.47)	(0.18)
Deferred income tax	(5.19)	(3.13)	(0.20)	(3.98)	(0.38)
Net Income netback	**$ 16.85**	**$ 10.39**	**$ 0.69**	**$ 13.02**	**$ 0.21**

Business Environment

	2021 Q3	2021 Q2	2020 Q3	Nine Months Ended 2021	Nine Months Ended 2020
Realized Pricing (Including realized commodity contracts)					
Light Crude Oil ($/bbl)	$ 84.78	$ 67.01	$ 49.49	$ 71.26	$ 45.71
NGL ($/bbl)	$ 51.13	$ 38.69	$ 19.01	$ 42.97	$ 16.45
Natural Gas ($/mcf)	$ 3.71	$ 3.44	$ 2.47	$ 3.37	$ 2.17
Realized Pricing (Excluding commodity contracts)					
Light Crude Oil ($/bbl)	$ 84.90	$ 75.55	$ 49.49	$ 76.58	$ 45.65
NGL ($/bbl)	$ 51.06	$ 38.53	$ 18.96	$ 42.94	$ 16.47
Natural Gas ($/mcf)	$ 3.81	$ 3.42	$ 2.47	$ 3.43	$ 2.21
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 70.62	$ 66.09	$ 40.89	$ 64.83	$ 38.35
Edmonton Par ($/bbl)	$ 81.39	$ 75.26	$ 48.66	$ 75.83	$ 42.92
Edmonton Par to WTI differential (US$/bbl)	$ (6.02)	$ (4.81)	$ (4.35)	$ (4.24)	$ (6.50)
Natural Gas Price Benchmarks					
AECO gas ($/mcf)	$ 3.41	$ 3.14	$ 2.28	$ 3.18	$ 2.07
Foreign Exchange					
Canadian Dollar/U.S. Exchange	0.79	0.81	0.75	0.80	0.74

Operations Summary

Net petroleum and natural gas production, pricing and revenue are summarized below:

	2021 Q3	2021 Q2	2020 Q3	Nine Months Ended 2021	Nine Months Ended 2020
Daily production volumes					
Natural Gas (mcf/d)	27,965	26,558	27,445	27,515	33,103
Light Crude Oil (bbl/d)	2,274	2,088	2,135	2,250	2,728
NGL's (bbl/d)	1,776	1,691	1,700	1,715	1,884
Combined (boe/d 6:1)	8,710	8,205	8,409	8,550	10,129
Revenue					
Petroleum & natural gas sales - Gross	$ 35,880	$ 28,529	$ 18,910	$ 92,884	$ 62,635
Realized gain (loss) on commodity contract settlement	(267)	(1,545)	(319)	(3,657)	(335)
Total sales	35,613	26,984	18,591	89,227	62,300
Royalty expense	(2,539)	(1,263)	(976)	(5,435)	(2,930)
Total Revenue - Net of royalties	$ 33,074	$ 25,721	$ 17,615	$ 83,792	$ 59,370

Working Capital Summary

The following table summarizes the change in adjusted net debt during the three and nine months ended September 30, 2021:

	Three months ended September 30, 2021	Nine months ended September 30, 2021	Year ended December 31, 2020
Adjusted net debt - beginning of period	$ (202,662)	$ (197,414)	$ (187,711)
Funds flow from operations	24,126	58,457	45,524
Additions to property and equipment	(23,474)	(61,529)	(51,093)
Decommissioning costs incurred	(121)	(465)	(389)
Additions to E&E Assets	(41)	(175)	(426)
Issuance of shares	406	623	-
Other	(45)	(1,308)	(3,319)
Adjusted net debt - end of period	$ (201,811)	$ (201,811)	$ (197,414)
Credit facility limit	$ 210,000	$ 210,000	$ 210,000

Capital Spending

Capital spending is summarized as follows:

	2021		2020	Nine Months Ended	
Cash additions	Q3	Q2	Q3	2021	2020
Land, acquisitions and lease rentals	$ 327	$ (63)	$ 258	$ 143	$ 398
Drilling and completion	19,847	17,621	8,036	53,997	30,971
Geological and geophysical	42	121	190	433	506
Equipment	3,136	1,616	1,232	6,522	3,473
Other asset additions	122	173	281	434	740
	$ 23,474	$ 19,468	$ 9,997	$ 61,529	$ 36,089
Exploration & evaluation assets	$ 41	$ 134	$ -	$ 175	$ 426

Quarter End Disclosure

The Company's financial statements, notes to the financial statements and management's discussion and analysis will be filed on SEDAR (www.sedar.com) and are available on the Company's website (www.yangarra.ca).

For further information, please contact James Evaskevich, President & CEO 403-262-9558.

Forward looking information

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of our anticipated future operations, management focus, strategies, financial, operating and production results and business opportunities. Forward-looking information typically uses words such as "anticipate", "believe", "continue", "sustain", "project", "expect", "forecast", "budget", "goal", "guidance", "plan", "objective", "strategy", "target", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future, including statements about our strategy, plans, objectives, priorities and focus, growth plans; our estimations on future costs; volatility of commodity prices, and currency fluctuations.

The forward-looking information is based on certain key expectations and assumptions made by our management, including expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market light crude oil and natural gas successfully and our ability to access capital.

Although we believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Yangarra can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders *with a more complete perspective on our future operations and such information may not be appropriate for other purposes.*

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward-looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Barrels of Oil Equivalent

Natural gas has been converted to a barrel of oil equivalent (BOE) using 6,000 cubic feet (6 Mcf) of natural gas equal to one barrel of oil (6:1), unless otherwise stated. The BOE conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore BOE's may be misleading if used in isolation. References to natural gas liquids ("NGLs") in this news release include condensate, propane, butane and ethane and one barrel of NGLs is considered to be equivalent to one barrel of crude oil equivalent (BOE). One ("BCF") equals one billion cubic feet of natural gas. One ("Mmcf") equals one million cubic feet of natural gas.

Non-GAAP Financial Measures

*This press release contains references to measures used in the light crude oil and natural gas industry such as "funds flow from operations", "operating netback", "adjusted working capital deficit", and "net debt". These measures do not have standardized meanings prescribed by generally accepted accounting principles ("**GAAP**") and, therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.*

Funds flow from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined in accordance with GAAP, as an indicator of Yangarra's performance or liquidity. Funds flow from operations is used by Yangarra to evaluate operating results and Yangarra's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds flow from operations denotes cash flow from operating activities as it appears on the Company's Statement of Cash Flows before decommissioning expenditures and changes in non-cash operating working capital. Funds flow from operations is also derived from net income (loss) plus non-cash items including deferred income tax expense, depletion and depreciation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations netback is calculated on a per BOE basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of basic and diluted common shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per BOE basis. Adjusted working capital deficit includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and the deferred premium on financial instruments. Yangarra uses net debt as a measure to assess its financial position. Net debt includes current assets less current liabilities excluding the current portion of the fair value of financial instruments and the deferred premium on financial instruments, plus the long-term financial obligation.

Readers should also note that adjusted earnings before interest, taxes, depletion & depreciation, amortization ("Adjusted EBITDA") is a non-GAAP financial measures and do not have any standardized meaning under GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. Yangarra believes that Adjusted EBITDA is a useful supplemental measure, which provide an indication of the results generated by the Yangarra's primary business activities prior to consideration of how those activities are financed, amortized or taxed. Readers are cautioned, however, that Adjusted EBITDA should not be construed as an alternative to comprehensive income (loss) determined in accordance with GAAP as an indicator of Yangarra's financial performance.

Please refer to the management discussion and analysis for the nine-month period ended September 30, 2021 for Non-GAAP financial measure reconciliation tables.

All reference to $ (funds) are in Canadian dollars.

Neither the TSX nor its Regulation Service Provider (as that term is defined in the Policies of the TSX) accepts responsibility for the adequacy and accuracy of this release.