



SUSTAINABILITY REPORT

FOR DECEMBER 31, 2021

- Information contained is intended for internal & external stakeholders of Yangarra Resources Ltd. (“Yangarra”) for the operating years of 2019, 2020 & 2021 and is for informational purposes only
- Yangarra has a long history of operating in Western Canada, pursuing multiple investment opportunities through the western Canadian sedimentary basin (“WCSB”). Although there was no formalized ESG disclosures prior to, Yangarra has been very active in pursuing ESG excellence
 - Has one of the lowest AROs in its peer group
 - Successfully abandoned & reclaimed operating areas outside of the Company’s current core Cardium asset
- Yangarra is employing the TCCFD framework to report on specific ESG risks relevant to the stakeholders of Yangarra including:
 - Climate risks & opportunities
 - Transition risks & opportunities
 - Physical risks
- Yangarra’s vision is to operate a profitable oil & gas business in the WCSB while adhering to the strictest environmental standards that minimize ESG risks for stakeholders

- At Yangarra, it is the management's role to assess and manage climate related risks & opportunities as guided by the board of directors of Yangarra (the "Board")
 - The Board works with management to approve an approach to long-term goals for managing ESG related risks
 - ESG related topics are discussed quarterly with the Board

- Yangarra management has completed an assessment of various specific risks by relying the experience of the management team and input from the Board to identify & assess the following:
 - Climate related risks
 - Environmental risks
 - Regulatory risks

- Yangarra has used a combination of quantitative & qualitative metrics to assess the materiality of various risk parameters including existing & potential concerns of stakeholders

- Yangarra has reviewed short-term, medium-term and long-term climate-related risks & opportunities that will be reviewed throughout this report

➤ Transition risks & opportunities:

- Yangarra operates in a commoditized business, whereby Yangarra is a price taker. The oil & gas industry is a key provider of energy and derivative products to a well-functioning society
- Yangarra's view is that without a change in consumer habits and a breakthrough in new technologies, oil & gas will remain not just a strategic part of the energy matrix but an essential part of broader society in terms of industrial & consumer use
- However, at Yangarra, the Company believes the oil & gas industry has to compete with the renewable industry across a broad matrix of measures, including CO2e emissions, water usage, environmental footprint vs. the energy derived vs. the ongoing footprint on an energy equivalent basis
- Demand is not going away in the short-term & medium-term; the industry will face increasing competition from renewables in the long-term but the energy transition will take capital & resources that remain unfunded.
- Yangarra believes that the biggest “transition risk” to Yangarra is not the destruction of demand but a shifting legal & regulatory framework driven by the federal government of Canada as it approaches emissions from oil & gas with broad brush statements and rhetoric around zero emissions with stringent timelines without a clear understanding of oil & gas operations.

POLICY & LEGAL RISKS

- Carbon regulation & carbon pricing
- Yangarra part of Alberta Technology Innovation & Emissions program (“TIER”) to minimize federal impact, working with provincial government
- At federal level, expect to generate carbon offsets

EGRESS RISK

- Land-locked resources offset by improving take-away capacity for both oil & natural gas
- Yangarra targets a “optimal” mix of sweet light oil & sweet natural gas

EVOLVING ENERGY MATRIX

- Increased competition from alternative energy sources
- Manage by having low-breakeven on new projects & low operating cost structure

REPUTATION RISK

- Stigma of oil & gas may not go away
- Yangarra works to reduce emissions, provide direct gainful employment in areas it operates in and be a good & responsive operator to meet community needs

CAPITAL RISK

- Yangarra relies on capital to fund future growth
- Bank-related financing remains single-largest outside financing; work with banks to meet changing bank requirements: low ARO, low operating costs, low-surface risk (minimal pipelines)

OPPORTUNITY: EFFICIENCY

- Singular core area in Rocky Mountain House allows Yangarra to be an efficient operator
- Internalized majority of third-party operations outside of direct drilling & completions

OPPORTUNITY: COST

- Without major government subsidies and/or consumer willingness to pay more for renewable sources, energy from oil & gas sources will remain competitive
- Keep low-cost structure to take compete against costly alternatives

OPPORTUNITY: RESILIENCE

- Embrace carbon regulations & create opportunity to reduce emissions
- Generate carbon offset credits

PHYSICAL RISKS

- Flooding: Acute/low impact. Strategic design of pad sites to keep away from flood zones
- Fire: Acute/medium impact. Forest fires remain a risk but design pad sites to minimize impact.
- Drought: Acute/medium impact. Water for completions activity. Source water responsibly & use multiple sources of water supply
- Increasing temperatures: Chronic/low

Yangarra management considers the following risks as material to Yangarra and the stakeholder group

➤ Environment

- Emissions
- Water use
- ARO
- Spill management

➤ Social

- Safety
- Human resources
- Community

➤ Governance

- Economic returns
- Risk management

➤ Emissions

- Targeting 40% reduction in methane emissions & a 20% reduction in CO₂e emissions for 2022 over 2020
- Yangarra has enacted several programs to reduce pneumatic devices, convert high-bleed to low-bleed, install Vapour Recovery Units on large emulsion facility tank farms and install instrument air where electrical power is available

➤ Water use

- Yangarra works to recycle water for fracs where economically feasible

➤ ARO

- Abandoned & reclaimed 100+ wells in past 4 years
- 16 inactive wells left to abandon

➤ Spill risk

- Minimize emulsion pipeline installs
- Added benefit of avoiding over-capitalizing pads with surface pipelines

REDUCING FLARING:

BY MOVING TO PAD-DRILLING & PRE-BUILDING PIPELINE EQUIPPING, THE COMPANY CAN SIGNIFICANTLY REDUCE ALLOWABLE FLARING

ACTIVE ABANDONMENT PROGRAM:

YANGARRA PREVIOUSLY DEVELOPED ASSETS AT MEDICINE HAT & JASLAN, AS PART OF RESPONSIBLE FULL CYCLE OPERATIONS, YANGARRA COMPLETELY ABANDONED AND RECLAIMED LANDS IN THE PAST 3 YEARS

EARLY STAGE CARDIUM WELLS:

AS EARLY STAGE CARDIUM WELLS APPROACHED END OF ECONOMIC LIFE, YANGARRA HAS PRO-ACTIVELY STARTED ABANDONMENT & RECLAMATION EFFORTS

➤ Safety

- HSE plan
- ERP plan
- Required training for all field-personnel
- Well-maintained infrastructure & equipment minimizes risk of accidents

➤ Human resource development

- Yangarra has pro-actively worked to create a team of young professionals to carry out operations for the long-term
- Multi-disciplinarian approach allows for cross-coverage of professions and roles minimizing staffing disruption risk
- Creation of management committee formalized executive approach to collaborative decision-making process

➤ Community

- Yangarra is a large direct employer of staff in Rocky Mountain House and employees are encouraged to approach the business with an “ownership” mentality

➤ Economic returns

- Rate of return analysis drives all capital & operating decisions, not to manage capital market expectations
- Focus on low operating costs & low capital costs
- Organic growth strategy creates positive net income

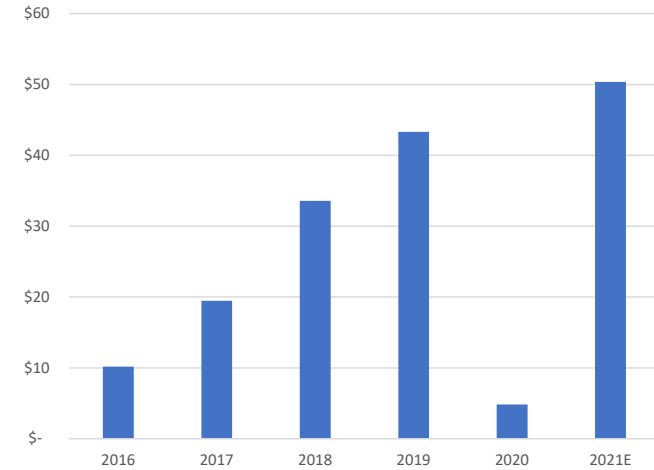
➤ Risk management

- Hedging strategy utilized to protect capital program when required

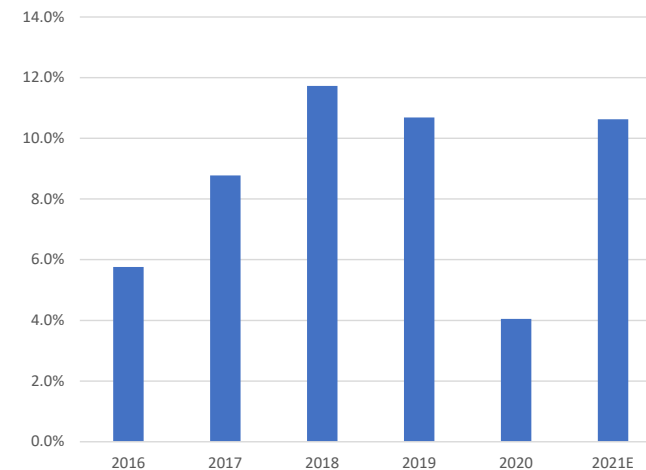
➤ Diversity

- Board of Directors mandate to diversify Board during natural renewal process
- Management committee
- Open communication culture

Earnings before tax (millions)



Return on Capital Employed



PERFORMANCE SUMMARY

Performance Summary

	units	2021	2020	2019
Production				
Sales	boe/d (6:1)	8,931	9,888	12,572
Oil	bbl/d	2,373	2,611	3,941
NGLs	bbl/d	1,709	1,876	2,020
Natural Gas	mmcf/d	29	32	40
Emissions				
Scope 1	C02e tonnes	103,823	107,973	129,137
Methane	Tonnes	1,119	1,379	1,639
Fuel combustions	C02e tonnes	73,779	72,152	80,468
Flare	C02e tonnes	2,039	1,293	4,375
Vent	C02e tonnes	25,578	31,950	41,716
Fugitives	C02e tonnes	2,426	2,578	2,578
Scope 2	C02e tonnes	385	343	380
Total Scope 1 + 2	C02e tonnes	104,051	108,166	129,359
Total Direct C02e	C02e tonnes	103,823	107,973	129,137
Total Indirect C02e	C02e tonnes	385	343	380
Direct C02e intensity	C02e tonnes/boe	0.0318	0.0299	0.0281
Indirect C02e intensity	C02e tonnes/boe	0.0001	0.0001	0.0001
Total intensity	C02e tonnes/boe	0.0320	0.0300	0.0282

Performance Summary

	units	2021	2020	2019
Water				
Fresh water usage	m3	420,289	176,008	287,002
Fresh water intensity	m3/boe	0.13	0.05	0.06
Recovered & recycled water	m3	28,803	22,939	59,195
Spills				
Number of reportable spills	count	0	1	0
Total Volume of reportable spills	m3	0	42	0
Spill intensity	m3/boe produced	0.0000	0.0000	0.0000
Pipelines (emulsion & nat. gas)	kms	257	250	219
Emulsion pipelines	kms	1.4	1.4	1.4
Pipeline incidents	count	0	0	0
Pipeline incident frequency rate	count/1000 km	0	0	0
Abandonment & Reclamation				
Number of producing wells	count	226	199	183
Number of non-producing wells	count	16	34	42
Wells abandoned	count	18	8	1
Active reclamations	count	64	0	0
Reclamation certificates received	count	6	30	12
ARO spend	\$ millions	1.0	0.2	0.9

Performance Summary

	units	2021	2020	2019
Health & Safety				
Exposure hours	hours	156,000	155,000	132,500
Lost-time injury hours	hours	2,509	435	-
Total recordable injury frequency	count	2	3	-
Fatalities	count	-	-	-
Social				
Full-time	count	65	65	56
Part-time	count	0	0	0
Field	count	52	50	41
Corporate	count	13	15	15
Corporate, % Female	%	31%	40%	40%
Corporate, % Male	%	69%	60%	60%
Board of Directors, % Female	%	17%	0%	0%
Board of Directors, % Male	%	83%	100%	100%

Exposure hours are an estimate of total time worked by staff. The Lost-time injury hours is related to truck drivers, who by the nature of work in winter conditions are suspect to slipping and falling in icy conditions. The majority of lost-time injury hours was related to an individual that was on paid leave for 2021.

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The term "material" may be used within this report to describe issues for voluntary sustainability reporting that are considered to have the potential to significantly affect sustainability performance in our view and may be important in the view of internal or external stakeholders. However, the use of the word "material" within this report should not be equated with the meaning of the word in other of Yangarra's public reporting or filings. This report does not provide investment advice, and readers are responsible for making their own financial and investment decisions. Readers should not subscribe for or purchase any securities of Yangarra on the basis of the information contained herein.

There is no single standard system that applies across companies for compiling and calculating the quantity of green house gases, nitrogen oxide, sulfur dioxide and other sustainability metrics attributable to our operations. Accordingly, the information provided in this report may not be comparable with similar information reported by other companies. Our emission statistics are derived from various internal reporting systems that are generally different from those applicable to the financial information presented in our consolidated financial statements and are, in particular, subject to less sophisticated internal documentation as well as preparation and review requirements, including the general internal control environment. We may change our policies or methods for calculating these emissions and other sustainability metrics in the future without prior notice.

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 presentation 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.

ROCE: Trailing 12-month EBIT divided by (Total Assets less Current Liabilities) for trailing years, Assumes DD&A expenses of \$9.70 per boe for Q4 2021 & actuals for first 3 quarters of 2021.

For any forward-looking statements, readers should refer to the Company's last press release dated February 1, 2022.