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Yangarra Announces 2022 First Quarter Financial and Operating Results

April 27, 2022

Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three months ended March 31, 2022.

During the first quarter of 2022, Yangarra generated funds flow from operations of \$39.8 million (\$0.46 per basic share), while generating net income of \$22.7 million (\$0.26 per basic share). By maintaining a disciplined capital program and only spending \$21.3 million, the Company was able to reduce adjusted net debt by \$18.3 million. The Company generated \$20.20/boe of free funds flow. Yangarra expects to maintain its previously guided capital budget for the remainder of the year and at prevailing commodity prices, adjusted net debt should continue to improve on a quarterly basis.

First Quarter Highlights

- Funds flow from operations of \$39.8 million (\$0.46 per share – basic), an increase of 133% from the same period in 2021
- \$18.3 million of adjusted net debt was repaid during first quarter
- Oil and gas sales were \$51.4 million, an increase of 81% from the same period in 2021
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$42.0 million (\$0.48 per share - basic)
- Net income of \$22.7 million (\$0.26 per share – basic, \$29.6 million before tax), an increase of 149% from the same period in 2021
- Average production of 10,044 boe/d (44% liquids) during the quarter, a 15% increase from the same period in 2021
- Operating costs were \$6.39/boe (including \$1.24/boe of transportation costs)
- Field operating netbacks were \$47.62/boe
- Operating netbacks, which include the impact of commodity contracts, were \$47.63/boe
- Operating margins were 84% and funds flow from operations margins were 77%
- G&A costs of \$1.00/boe
- Royalties were 5% of oil and gas revenue
- All in cash costs were \$12.58/boe
- Capital expenditures were \$21.3 million
- Adjusted net debt (which excludes the current derivative financial instruments) was \$178.5 million
- Adjusted net debt to first quarter annualized funds flow from operations was 1.1 : 1
- Retained earnings of \$181.4 million
- Decommissioning liabilities of \$13.5 million (discounted)

Operations Update

The Company has kept one rig drilling since commodity prices rebounded, drilling 350 days during 2021 and all of Q1 2022. This continuous drilling program provides maximum efficiency and allows for significant cost reductions. In addition, drilling on multi-well pad sites will typically allow the Company to drill right through breakup.

The production declines that were experienced during COVID have now been reversed, cashflow exceeds capital spending and the Company is now positioned to reduce debt and ultimately return capital to shareholders.

Yangarra drilled 7 (6.5 net) wells and completed 10 (7.0 net) wells during the first quarter of 2022. The Company performed an optimization program in 2021, replacing pump-jacks with cheaper and more efficient plunger lifts and performed chemical stimulations. The optimization program resulted in higher production from existing wells, lower decline profiles and reduced operating costs. Yangarra is now expanding the optimization program to all existing wells. This program is expected to substantially reduce declines on legacy wells during 2022.

Production for the first quarter 2022 was negatively impacted by a force majeure outage at a third-party gas processing plant. The third-party outage resulted in production being reduced by approximately 1,500 boe/d in March or by approximately 500 boe/d for the quarter. This production was back online as of April 1, 2022.

As activity increases in Western Canada, cost inflation on services and materials is becoming more prevalent. The internal OFS group has helped mitigate the impact of these inflationary pressures. The Company's established, long-term relationships with drilling and completions partners and continuous operations has limited the impact of service price increases.

Staffing Update

Gurdeep Gill has been appointed President of the Company; Jim Evaskevich will retain the title of Chief Executive Officer. The management committee structure remains in place and the title changes reflect the evolution of duties within the organization.

ESG

Yangarra continues to reduce the impact of non-producing wells on the overall valuation of the Company and has \$1.1 million of expenditures remaining to completely abandon and reclaim all standing wells in the Company. As at March 31, 2022, Yangarra had 210 net producing wells and 16 net non-producing wells.

Yangarra is targeting a 40% reduction in methane emissions and a 20% reduction in CO₂e in emissions for 2022 over levels measured in 2020. Yangarra has enacted several programs to reduce pneumatic devices, convert high-bleed pneumatics to low-bleed pneumatics, install vapour recovery units on large emulsion facility tank farms, install instrument air where electrical power is available and install incinerators for tank vents where vapour recovery units are not economical.

The Company continues to reduce flaring by moving to pad-drilling and pre-building pipeline to pad sites. A direct benefit of this process is Yangarra can now use company-produced natural gas to power the drilling rig and frack spread via bi-fuel. This will allow for lower overall emissions by reducing the use of diesel fuel.

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday April 28, 2022 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

Financial Summary

	2022		2021	
	Q1	Q4	Q1	Q1
Statements of Income and Comprehensive Income				
Petroleum & natural gas sales	\$ 51,428	\$ 47,405	\$ 28,475	
Income before tax	\$ 29,588	\$ 25,547	\$ 11,919	
Net income	\$ 22,720	\$ 19,644	\$ 9,117	
Net income per share - basic	\$ 0.26	\$ 0.23	\$ 0.11	
Net income per share - diluted	\$ 0.25	\$ 0.22	\$ 0.10	
Statements of Cash Flow				
Funds flow from operations	\$ 39,758	\$ 32,425	\$ 17,091	
Funds flow from operations per share - basic	\$ 0.46	\$ 0.38	\$ 0.20	
Funds flow from operations per share - diluted	\$ 0.43	\$ 0.36	\$ 0.20	
Cash from operating activities	\$ 32,232	\$ 36,835	\$ 12,986	

	March 31, 2022	December 31, 2021
Statements of Financial Position		
Property and equipment	\$ 640,305	\$ 627,948
Total assets	\$ 700,255	\$ 683,469
Working capital (deficit) surplus	\$ 8,677	\$ (3,729)
Adjusted net debt	\$ 178,538	\$ 196,794
Shareholders equity	\$ 387,981	\$ 364,959
Weighted average number of shares - basic	86,671	86,449
Weighted average number of shares - diluted	91,434	90,636

Company Netbacks (\$/boe)

	2022		2021	
	Q1	Q4	Q1	Q1
Sales price	\$ 56.89	\$ 51.22	\$ 36.22	
Royalty expense	(2.88)	(3.55)	(2.08)	
Production costs	(5.15)	(6.32)	(4.74)	
Transportation costs	(1.24)	(1.09)	(1.10)	
Field operating netback	47.62	40.26	28.30	
Realized gain (loss) on commodity contract settlement	0.01	(0.94)	(2.35)	
Operating netback	47.63	39.32	25.95	
G&A	(1.00)	(1.09)	(0.67)	
Cash Finance expenses	(2.32)	(3.53)	(3.79)	
Depletion and depreciation	(9.52)	(9.42)	(8.04)	
Non Cash - Finance expenses	(0.46)	1.67	3.42	
Stock-based compensation	(0.17)	(0.40)	(0.28)	
Unrealized gain (loss) on financial instruments	(1.43)	1.04	(1.42)	
Deferred income tax	(7.60)	(6.38)	(3.56)	
Net Income netback	\$ 25.13	\$ 21.21	\$ 11.61	

Business Environment

	2022		2021	
	Q1	Q4	Q1	Q1
Realized Pricing (Including realized commodity contracts)				
Light Crude Oil (\$/bbl)	\$ 108.88	\$ 89.49	\$ 60.80	
NGL (\$/bbl)	\$ 69.16	\$ 51.54	\$ 38.48	
Natural Gas (\$/mcf)	\$ 4.80	\$ 4.67	\$ 3.07	
Realized Pricing (Excluding commodity contracts)				
Light Crude Oil (\$/bbl)	\$ 108.88	\$ 89.49	\$ 68.33	
NGL (\$/bbl)	\$ 69.09	\$ 51.61	\$ 38.60	
Natural Gas (\$/mcf)	\$ 4.80	\$ 4.95	\$ 3.14	
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 94.37	\$ 77.45	\$ 57.91	
Edmonton Par (\$/bbl)	\$ 113.22	\$ 91.70	\$ 68.79	
Edmonton Par to WTI differential (US\$/bbl)	\$ (4.97)	\$ (4.67)	\$ (3.57)	
Natural Gas Price Benchmarks				
AECO gas (\$/mcf)	\$ 4.48	\$ 4.41	\$ 2.99	
Foreign Exchange				
Canadian Dollar/U.S. Exchange	0.79	0.79	0.79	

Operations Summary

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

	2022		2021	
	Q1	Q4	Q1	Q1
Daily production volumes				
Natural Gas (mcf/d)	33,687	33,774	28,022	
Light Crude Oil (bbl/d)	2,606	2,744	2,414	
NGL's (bbl/d)	1,824	1,687	1,652	
Combined (BOE/d 6:1)	10,044	10,060	8,736	
Revenue				
Petroleum & natural gas sales - Gross	\$ 51,428	\$ 47,405	\$ 28,475	
Realized gain (loss) on commodity contract settlement	11	(872)	(1,845)	
Total sales	51,439	46,533	26,630	
Royalty expense	(2,605)	(3,287)	(1,633)	
Total Revenue - Net of royalties	\$ 48,834	\$ 43,246	\$ 24,997	

Working Capital Summary

The following table summarizes the change in adjusted net debt during the three months ended March 31, 2022 and year December 31, 2021:

	Three months ended		Year ended	
	March 31, 2022		December 31, 2021	
Adjusted net debt - beginning of period	\$	(196,794)	\$	(197,414)
Funds flow from operations		39,758		90,921
Additions to property and equipment		(21,266)		(88,153)
Decommissioning costs incurred		-		(881)
Additions to E&E Assets		(74)		(387)
Issuance of shares		122		1,132
Other		(283)		(2,012)
Adjusted net debt - end of period	\$	(178,537)	\$	(196,794)
Credit facility limit	\$	210,000	\$	210,000

Capital Spending

Capital spending is summarized as follows:

	2022		2021	
	Q1	Q4	Q1	Q1
Cash additions				
Land, acquisitions and lease rentals	\$ 161	\$ (89)	\$ (121)	
Drilling and completion	18,339	23,994	16,527	
Geological and geophysical	123	114	271	
Equipment	2,452	2,349	1,770	
Other asset additions	191	255	140	
	\$ 21,266	\$ 26,623	\$ 18,587	
Exploration & evaluation assets	\$ 74	\$ 212	\$ -	

Quarter End Disclosure

The Company's March 31, 2022 unaudited condensed interim consolidated 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, CEO 403-262-9558.

Oil and Gas Advisories

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.

All reserve references in this press release are "Company share gross reserves". Company share gross reserves are the Company's total working interest reserves (operating or non-operating) before the deduction of any royalty obligations but including royalty interests payable the Company. It should not be assumed that the present worth of estimated future cash flow presented in the tables above represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of Yangarra's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

This press release contains metrics commonly used in the oil and natural gas industry which have been prepared by management, such as "recycle ratio", "operating netback", "finding and development costs", "reserve life index" and "net asset value". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies and, therefore, should not be used to make such comparisons.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Yangarra's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from metrics presented in this press release, should not be relied upon for investment or other purposes.

All amounts in this news release are stated in Canadian dollars unless otherwise specified.

Non-IFRS Financial Measures

*This press release contains references to measures used in the oil and natural gas industry such as "funds flow from operations", "operating netback", and "adjusted net debt". These measures do not have standardized meanings prescribed by International Financial Reporting Standards ("**IFRS**") 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 IFRS, 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. Yangarra uses adjusted net debt as a measure to assess its financial position. Adjusted 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 and depreciation, amortization ("Adjusted EBITDA") is a non-IFRS financial measure and do not have any standardized meaning under IFRS 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 IFRS as an indicator of Yangarra's financial performance.

Please refer to the management discussion and analysis for the three months ended March 31, 2022 for Non- IFRS financial measure reconciliation tables.

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 production and cashflow guidance, expectations regarding debt repayments and return of capital strategies as well as our, plans, objectives, priorities and focus, growth plans; our estimations on future costs; volatility of commodity prices, expectations on well economics, availability and use of cash flow, well performance expectations, availability of funding and capital plans, expectations regarding our ESG initiatives and currency fluctuations. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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; benefits to shareholders of our programs and initiatives, 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 efficiently integrate assets and employees acquired through acquisitions, ability to market 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.

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

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