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Yangarra Announces 2022 Second Quarter Financial and Operating Results

July 28, 2022

Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three and six months ended June 30, 2022.

During the second quarter of 2022, Yangarra generated funds flow from operations of \$50.0 million (\$0.57 per basic share), while generating net income of \$30.6 million (\$0.35 per basic share). By maintaining a disciplined capital program, the Company was able to reduce adjusted net debt by \$23.1 million. The Company generated \$24.02/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.

Second Quarter Highlights

- Funds flow from operations of \$50.0 million (\$0.57 per share – basic), an increase of 190% from the same period in 2021
- \$23.1 million of adjusted net debt was repaid during the second quarter
- Oil and gas sales were \$68.5 million, an increase of 140% from the same period in 2021
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$52.1 million (\$0.60 per share - basic), an increase of 164% from the same period in 2021
- Net income of \$30.6 million (\$0.35 per share – basic, \$40.9 million before tax), an increase of 295% from the same period in 2021
- Average production of 10,554 boe/d (42% liquids) during the quarter, a 29% increase from the same period in 2021
- Operating costs were \$7.19/boe (including \$1.24/boe of transportation costs)
- Field operating netbacks were \$58.34/boe
- Operating netbacks, which include the impact of commodity contracts, were \$55.52/boe
- Operating margins were 78% and funds flow from operations margins were 73%
- G&A costs of \$1.06/boe
- Royalties were 8% of oil and gas revenue
- All in cash costs were \$16.54/boe
- Capital expenditures were \$27.0 million
- Adjusted net debt (which excludes the current derivative financial instruments) was \$155.4 million
- Adjusted net debt to second quarter annualized funds flow from operations was 0.78 : 1
- Retained earnings of \$212 million
- Decommissioning liabilities of \$13.4 million (discounted)

Operations Update

Yangarra drilled 9 wells and completed 8 wells during the second quarter of 2022, of which three wells were brought onstream in early June and four wells were brought onstream at the end of the quarter. The Company's optimization program (replacing pump-jacks with cheaper and more efficient plunger lifts and performing chemical stimulations) continues to advance on legacy wells.

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.

Debt Update

The Company completed its borrowing base review, and the syndicated senior credit facility was confirmed at \$210 million. Yangarra has revised its debt target from \$150 million to \$100 million due an expectation that interest rates will continue to increase. Once this debt target is achieved, Yangarra expects to return any excess cash to shareholders via a return of capital strategy.

Financial Summary

	2022		2021	Six Months Ended	
	Q2	Q1	Q2	2022	2021
Statements of Income and Comprehensive Income					
Petroleum & natural gas sales	\$ 68,545	\$ 51,428	\$ 28,529	\$ 119,973	\$ 57,004
Income before tax	\$ 40,889	\$ 29,588	\$ 10,090	\$ 70,477	\$ 22,009
Net income	\$ 30,631	\$ 22,720	\$ 7,753	\$ 53,351	\$ 16,870
Net income per share - basic	\$ 0.35	\$ 0.26	\$ 0.09	\$ 0.61	\$ 0.20
Net income per share - diluted	\$ 0.33	\$ 0.25	\$ 0.09	\$ 0.58	\$ 0.19
Statements of Cash Flow					
Funds flow from operations	\$ 50,028	\$ 39,758	\$ 17,240	\$ 89,784	\$ 34,331
Funds flow from operations per share - basic	\$ 0.57	\$ 0.46	\$ 0.20	\$ 1.03	\$ 0.40
Funds flow from operations per share - diluted	\$ 0.54	\$ 0.43	\$ 0.19	\$ 0.98	\$ 0.39
Cash flow from operating activities	\$ 49,317	\$ 32,232	\$ 19,367	\$ 81,548	\$ 32,353

	June 30, 2022	December 31, 2021
Statements of Financial Position		
Property and equipment	\$ 658,103	\$ 627,948
Total assets	\$ 724,910	\$ 683,469
Working capital (deficit) surplus	\$ 5,973	\$ (3,729)
Adjusted net debt	\$ 155,389	\$ 196,794
Shareholders equity	\$ 419,848	\$ 364,959
Weighted average number of shares - basic	87,095	86,449
Weighted average number of shares - diluted	92,087	90,636

Company Netbacks (\$/boe)

	2022		2021	Six Months Ended	
	Q2	Q1	Q2	2022	2021
Sales price	\$ 71.37	\$ 56.89	\$ 38.21	\$ 64.35	\$ 37.19
Royalty expense	(5.84)	(2.88)	(1.69)	(4.40)	(1.89)
Production costs	(5.95)	(5.15)	(5.49)	(5.56)	(5.11)
Transportation costs	(1.24)	(1.24)	(1.25)	(1.24)	(1.17)
Field operating netback	58.34	47.62	29.78	53.15	29.02
Realized gain (loss) on commodity contract settlement	(2.82)	0.01	(2.07)	(1.45)	(2.21)
Operating netback	55.52	47.63	27.71	51.70	26.81
G&A	(1.06)	(1.00)	(0.85)	(1.03)	(0.76)
Cash Finance expenses	(2.46)	(2.32)	(4.16)	(2.67)	(2.56)
Depletion and depreciation	(9.48)	(9.52)	(8.09)	(9.50)	(8.07)
Non Cash - Finance expenses	(0.25)	(0.46)	(0.79)	(0.07)	(0.04)
Stock-based compensation	(0.19)	(0.17)	(0.45)	(0.18)	(0.36)
Unrealized gain (loss) on financial instruments	0.49	(1.43)	0.15	(0.44)	(0.66)
Deferred income tax	(10.68)	(7.60)	(3.13)	(9.19)	(3.35)
Net Income netback	\$ 31.89	\$ 25.13	\$ 10.39	\$ 28.63	\$ 11.01

Business Environment

	2022		2021	Six Months Ended	
	Q2	Q1	Q2	2022	2021
Realized Pricing (Including realized commodity contracts)					
Light Crude Oil (\$/bbl)	\$ 130.38	\$ 108.88	\$ 67.01	\$ 119.49	\$ 64.29
NGL (\$/bbl)	\$ 70.70	\$ 69.16	\$ 38.69	\$ 69.99	\$ 38.59
Natural Gas (\$/mcf)	\$ 7.50	\$ 4.80	\$ 3.44	\$ 6.18	\$ 3.20
Realized Pricing (Excluding commodity contracts)					
Light Crude Oil (\$/bbl)	\$ 137.95	\$ 108.88	\$ 75.55	\$ 123.03	\$ 72.30
NGL (\$/bbl)	\$ 70.46	\$ 69.09	\$ 38.53	\$ 69.84	\$ 38.57
Natural Gas (\$/mcf)	\$ 7.86	\$ 4.80	\$ 3.42	\$ 6.37	\$ 3.23
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 108.40	\$ 94.45	\$ 66.09	\$ 101.43	\$ 61.94
Edmonton Par (\$/bbl)	\$ 136.20	\$ 117.32	\$ 75.26	\$ 126.76	\$ 72.03
Edmonton Par to WTI differential (US\$/bbl)	\$ (1.70)	\$ (1.80)	\$ (4.81)	\$ (1.73)	\$ (4.19)
Natural Gas Price Benchmarks					
AECO gas (\$/mcf)	\$ 6.68	\$ 4.48	\$ 3.14	\$ 5.58	\$ 2.95
Foreign Exchange					
Canadian Dollar/U.S. Exchange	0.78	0.79	0.81	0.79	0.80

Operations Summary

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

	2022		2021	Six Months Ended	
	Q2	Q1	Q2	2022	2021
Daily production volumes					
Natural Gas (mcf/d)	36,874	33,687	26,558	35,289	27,286
Light Crude Oil (bbl/d)	2,271	2,606	2,088	2,432	2,240
NGL's (bbl/d)	2,138	1,824	1,691	1,987	1,682
Combined (BOE/d 6:1)	10,554	10,044	8,205	10,301	8,469
Revenue					
Petroleum & natural gas sales - Gross	\$ 68,545	\$ 51,428	\$ 28,529	\$ 119,973	\$ 57,004
Realized gain (loss) on commodity contract settlement	(2,712)	11	(1,545)	(2,701)	(3,390)
Total sales	65,833	51,439	26,984	117,272	53,614
Royalty expense	(5,605)	(2,605)	(1,263)	(8,210)	(2,896)
Total Revenue - Net of royalties	\$ 60,228	\$ 48,834	\$ 25,721	\$ 109,062	\$ 50,718

Adjusted Net Debt Summary

The following table summarizes the change in adjusted net debt during the six months ended June 30, 2022 and year December 31, 2021:

	Six months ended		Year ended
	June 30, 2022	December 31, 2021	December 31, 2021
Adjusted net debt - beginning of period	\$ (196,794)	\$ (197,414)	
Funds flow from operations	89,784	90,921	
Additions to property and equipment	(48,226)	(88,153)	
Decommissioning costs incurred	-	(881)	
Additions to E&E Assets	(308)	(387)	
Issuance of shares	1,040	1,132	
Other	(885)	(2,012)	
Adjusted net debt - end of period	\$ (155,389)	\$ (196,794)	

Credit facility limit	\$ 210,000	\$ 210,000
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Capital Spending

Capital spending is summarized as follows:

	2022		2021	Six Months Ended	
	Q2	Q1	Q2	2022	2021
Cash additions					
Land, acquisitions and lease rentals	\$ 40	\$ 161	\$ (63)	\$ 201	\$ (184)
Drilling and completion	\$ 23,806	18,339	17,621	42,146	34,150
Geological and geophysical	\$ 191	123	121	313	391
Equipment	\$ 2,808	2,452	1,616	5,259	3,386
Other asset additions	\$ 116	191	173	307	312
	\$ 26,961	\$ 21,266	\$ 19,468	\$ 48,226	\$ 38,055
Exploration & evaluation assets	\$ 308	\$ 74	\$ 134	\$ 382	\$ 134

Quarter End Disclosure

The Company's June 30, 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.

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 and six months ended June 30, 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.

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.

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.