



Suite 1530, 715 – 5 Avenue S.W. Calgary, Alberta T2P 2X6
Phone: (403) 262-9558 Fax: (403) 262-8281
Webpage: www.yangarra.ca Email: info@yangarra.ca

Yangarra Announces 2022 Year End Financial and Operating Results

March 2, 2023

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

2022 Highlights

- Average production of 11,022 boe/d (45% liquids), an increase of 23% from 2021
- Oil and gas sales of \$243 million, an increase of 73% from 2021
- Funds flow from operations of \$177 million (\$1.92 per share – fully diluted) an increase of 95% from 2021
- Adjusted EBITDA of \$187 million (\$2.03 per share – fully diluted)
- Net income of \$106 million (\$1.16 per share – fully diluted), resulting in an income margin of 44%
- Return on capital employed of 20.4%
- Operating costs of \$7.29/boe (including \$1.21/boe of transportation costs)
- Operating netback of \$47.64/boe
- Operating margin of 79% and funds flow from operations margin of 73%
- G&A costs of \$1.01/boe
- Royalties at 8% of oil and gas revenue
- Capital expenditures of \$109 million for 32 wells versus a budget of \$110 million for 30 wells
- Adjusted net debt of \$134 million, a decrease of \$62.4 million from 2021
- Retained earnings of \$265 million
- Decommissioning liabilities of \$14 million (discounted)
 - Less than \$1.0 million is required to abandon all non-producing wells
 - Expenditures on abandonments and reclamations of \$0.3 million for calendar 2022

Fourth Quarter Highlights

- Funds flow from operations of \$42 million (\$0.45 per share – fully diluted), an increase of 29% from the same period in 2021
- \$13 million of adjusted net debt repayments
- Oil and gas sales of \$60 million, an increase of 27% from the same period in 2021
- Adjusted EBITDA of \$45 million (\$0.48 per share – fully diluted), an increase of 28% from the same period in 2021
- Net income of \$25 million (\$0.27 per share – fully diluted), an increase of 28% from the same period in 2021
- Average production of 11,712 boe/d (45% liquids), a 16% increase from the same period in 2021
- Operating costs of \$7.99/boe (including \$1.22/boe of transportation costs)
- Operating netback of \$42.84/boe
- Operating margin of 77% and funds flow from operations margin of 69%
- G&A costs of \$1.21/boe
- Royalties at 9% of oil and gas revenue
- All in cash costs of \$17.19/boe
- Capital expenditures of \$28 million
- Adjusted net debt to fourth quarter annualized funds flow from operations of 0.80 : 1

Financial Summary

	2022		2021	Year Ended	
	Q4	Q3	Q4	2022	2021
Statements of Income and Comprehensive Income					
Petroleum & natural gas sales	\$ 60,292	\$ 62,791	\$ 47,405	\$ 243,056	\$ 140,289
Income before tax	\$ 31,075	\$ 36,193	\$ 25,547	\$ 137,745	\$ 65,213
Net income	\$ 25,071	\$ 27,936	\$ 19,644	\$ 106,358	\$ 50,014
Net income per share - basic	\$ 0.29	\$ 0.32	\$ 0.23	\$ 1.22	\$ 0.58
Net income per share - diluted	\$ 0.27	\$ 0.30	\$ 0.22	\$ 1.16	\$ 0.56
Statements of Cash Flow					
Funds flow from operations	\$ 41,808	\$ 45,602	\$ 32,425	\$ 177,194	\$ 90,921
Funds flow from operations per share - basic	\$ 0.48	\$ 0.52	\$ 0.38	\$ 2.03	\$ 1.06
Funds flow from operations per share - diluted	\$ 0.45	\$ 0.49	\$ 0.36	\$ 1.92	\$ 1.02
Cash flow from operating activities	\$ 40,675	\$ 47,440	\$ 36,835	\$ 169,664	\$ 91,266
Weighted average number of shares - basic	87,956	87,951	86,449	87,423	85,892
Weighted average number of shares - diluted	92,742	92,609	90,636	92,054	89,376

	December 31, 2022	December 31, 2021
Statements of Financial Position		
Property and equipment	\$ 701,045	\$ 627,948
Total assets	\$ 768,058	\$ 683,469
Working capital (deficit) surplus	\$ (136,920)	\$ (3,729)
Adjusted net debt	\$ 134,364	\$ 196,794
Shareholders equity	\$ 473,574	\$ 364,959

Company Netbacks (\$/boe)

	2022			2021		Year Ended	
	Q4	Q3		Q4		2022	2021
Sales price	\$ 55.95	\$ 58.09		\$ 51.22		\$ 60.42	\$ 43.04
Royalty expense	(5.22)	(4.93)		(3.55)		(4.77)	(2.68)
Production costs	(6.77)	(6.26)		(6.32)		(6.07)	(5.60)
Transportation costs	(1.22)	(1.15)		(1.09)		(1.21)	(1.10)
Field operating netback	42.74	45.74		40.26		48.37	33.66
Realized gain (loss) on commodity contract settlement	0.10	(0.30)		(0.94)		(0.73)	(1.39)
Operating netback	42.84	45.44		39.32		47.64	32.27
G&A	(1.21)	(0.78)		(1.09)		(1.01)	(0.90)
Cash finance expenses	(2.86)	(2.56)		(3.53)		(2.79)	(2.52)
Depletion and depreciation	(9.44)	(9.05)		(9.42)		(9.36)	(8.34)
Non Cash - finance expenses	(0.41)	(0.18)		1.67		(0.09)	(0.05)
Stock-based compensation	(0.11)	(0.16)		(0.40)		(0.16)	(0.41)
Unrealized gain (loss) on financial instruments	0.03	0.76		1.04		0.01	(0.04)
Deferred income tax	(5.57)	(7.64)		(6.38)		(7.80)	(4.66)
Net income netback	\$ 23.26	\$ 25.84		\$ 21.21		\$ 26.44	\$ 15.34

Business Environment

	2022			2021		Year Ended	
	Q4	Q3		Q4		2022	2021
Realized Pricing (Including realized commodity contracts)							
Light Crude Oil (\$/bbl)	\$ 112.53	\$ 116.44		\$ 89.49		\$ 116.26	\$ 78.24
NGL (\$/bbl)	\$ 51.64	\$ 56.35		\$ 51.54		\$ 61.53	\$ 45.11
Natural Gas (\$/mcf)	\$ 5.25	\$ 4.61		\$ 4.67		\$ 5.53	\$ 3.75
Realized Pricing (Excluding commodity contracts)							
Light Crude Oil (\$/bbl)	\$ 112.53	\$ 116.44		\$ 89.49		\$ 117.78	\$ 82.01
NGL (\$/bbl)	\$ 51.70	\$ 56.28		\$ 51.61		\$ 61.45	\$ 45.10
Natural Gas (\$/mcf)	\$ 5.21	\$ 4.71		\$ 4.95		\$ 5.64	\$ 3.87
Oil Price Benchmarks							
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 82.79	\$ 93.18		\$ 77.45		\$ 94.41	\$ 67.65
Edmonton Par (\$/bbl)	\$ 107.43	\$ 116.64		\$ 91.70		\$ 119.40	\$ 79.80
Edmonton Par to WTI differential (US\$/bbl)	\$ (3.68)	\$ (3.37)		\$ (4.67)		\$ (2.47)	\$ (3.89)
Natural Gas Price Benchmarks							
AECO gas (\$/mcf)	\$ 4.85	\$ 3.95		\$ 4.41		\$ 4.99	\$ 3.49
Foreign Exchange							
Canadian Dollar/U.S. Exchange	\$ 0.74	0.77		0.79		\$ 0.77	0.80

Operations Summary

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

	2022		2021	Year Ended	
	Q4	Q3	Q4	2022	2021
Daily production volumes					
Natural Gas (mcf/d)	38,971	37,214	33,774	36,702	29,092
Light Crude Oil (bbl/d)	3,077	3,248	2,744	2,798	2,373
NGL's (bbl/d)	2,140	2,300	1,687	2,106	1,709
Combined (BOE/d 6:1)	11,712	11,750	10,060	11,022	8,931
Revenue					
Petroleum & natural gas sales - Gross	\$ 60,292	\$ 62,791	\$ 47,405	\$ 243,056	\$ 140,289
Realized gain (loss) on commodity contract settlement	106	(325)	(872)	(2,920)	(4,529)
Total sales	60,398	62,466	46,533	240,136	135,760
Royalty expense	(5,627)	(5,333)	(3,287)	(19,170)	(8,722)
Total Revenue - Net of royalties	\$ 54,771	\$ 57,133	\$ 43,246	\$ 220,966	\$ 127,038

Adjusted Net Debt Summary

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

	Year ended	
	December 31, 2022	December 31, 2021
Adjusted net debt - beginning of period	\$ (196,794)	\$ (197,414)
Funds flow from operations	177,194	90,921
Additions to property and equipment	(109,354)	(88,153)
Decommissioning costs incurred	(291)	(881)
Additions to E&E Assets	(3,888)	(387)
Issuance of shares	1,077	1,131
Lease obligation repayment	(2,331)	(2,003)
Other	23	(8)
Adjusted net debt - end of period	\$ (134,364)	\$ (196,794)

Credit facility limit	\$ 180,000	\$ 210,000
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Capital Spending

Capital spending is summarized as follows:

	2022		2021	Year Ended	
	Q4	Q3	Q4	2022	2021
Cash additions					
Land, acquisitions and lease rentals	\$ 26	\$ 200	\$ (89)	\$ 427	\$ 54
Drilling and completion	26,009	28,114	23,994	96,271	77,991
Geological and geophysical	94	164	114	571	547
Equipment	1,596	4,345	2,349	11,200	8,872
Other asset additions	305	273	255	885	689
	\$ 28,030	\$ 33,096	\$ 26,623	\$ 109,354	\$ 88,153
Exploration & evaluation assets	\$ -	\$ 3,506	\$ 212	\$ 3,888	\$ 387

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday April 27, 2023 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

Year End Disclosure

The Company's December 31, 2022 audited consolidated financial statements, management's discussion and analysis and annual information form have been 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", "field operating netback", "operating netback", "net income netback", "working capital surplus (deficit)", 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 flow from operations netback is calculated on a per boe basis and funds flow from operations per share is calculated as funds flow 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. Working capital surplus (deficit) includes current assets less current liabilities. 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. Yangarra uses working capital surplus (deficit) and adjusted net debt as a measure to assess its financial position.

Readers should also note that adjusted earnings before interest, taxes, depletion & depreciation, amortization ("Adjusted EBITDA") is a non-IFRS financial measure and does 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 provides an indication of the results generated by 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 year ended December 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 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.

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.