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Yangarra Announces 2023 Second Quarter Financial and Operating Results

July 27, 2023

Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the three and six months ended June 30, 2023.

Operations Update

Yangarra drilled six wells and completed five wells during the quarter. The drilling rig was shut down for five weeks due to wet conditions during breakup. The Company also elected to delay the completion of a five-well pad by four weeks. This delay decreased water pumping costs by $1.2 million for the pad as a closer water source was available after breakup and water heating was no longer necessary.

During the quarter, wildfire outages were followed by wet weather conditions. This together with 3rd party plant issues during turn-around season, negatively impacted production by 500 - 700 boe/d on average. The majority of production has now been restored and the Company remains on pace to meet 2023 production guidance. The Company has a six well pad coming on-stream at the end of July.

Yangarra's Oilfield Services ("OFS") Group continues to increase its footprint with the addition of a 50-ton crane. With the numerous increases in services provided by Yangarra over the past year, the Company has been able to multitask staff in a very efficient manner. According to Company estimates, the OFS Group has reduced operating costs by $1.50 to $2.00 per BOE, drilling and completion costs by $400,000 - $500,000 per well and equipping and pipeline tie costs by 40%.

Yangarra retained the services of two consulting firms to review frack efficacy as it relates to well path, frack intensity, viscosity and frack rate. This has resulted in substantial changes to the drill and completion operations. A variety of these changes have been implemented on a total of seven wells to date and while it is early in the process Yangarra is very encouraged by the results.

Second Quarter Highlights

- Funds flow from operations of $22.4 million ($0.22 per share – diluted), a decrease of 55% from the same period in 2022
- Oil and gas sales were $38.4 million, a decrease of 44% from the same period in 2022
- Adjusted EBITDA was $24.9 million ($0.25 per share – diluted)
- Net income of $7.8 million ($0.08 per share – diluted, $12.4 million before tax), a decrease of 74% from the same period in 2022
- Average production of 12,103 boe/d (38% liquids) during the quarter, a 15% increase from the same period in 2022
- Operating costs were $7.99/boe (including $1.45/boe of transportation costs)

- Field operating netbacks were $23.77/boe
- Operating netbacks, which include the impact of commodity contracts, were $24.24/boe
- Operating margins were 70% and funds flow from operations margins were 58%
- G&A costs of $1.23/boe
- Royalties were 9% of oil and gas sales
- All in cash costs were $14.58/boe
- Capital expenditures were $20.2 million
- Adjusted net debt was $119.9 million
- Adjusted net debt to second quarter annualized funds flow from operations was 1.34: 1
- $1.6 million of adjusted net debt was repaid during the second quarter
- Retained earnings of $288 million
- Decommissioning liabilities of $15.2 million (discounted)
- Completed the borrowing base review and the Company's syndicated senior credit facility was set at $145 million

Financial Summary

	2023		2022	Six Months Ended	
	Q2	Q1	Q2	2023	2022
Statements of Income and Comprehensive Income					
Petroleum & natural gas sales	$ 38,396	$ 49,055	$ 68,545	$ 87,451	$ 119,973
Income before tax	$ 12,457	$ 19,459	$ 40,889	$ 31,916	$ 70,477
Net income	$ 7,833	$ 14,909	$ 30,631	$ 22,742	$ 53,351
Net income per share - basic	$ 0.08	$ 0.17	$ 0.35	$ 0.25	$ 0.61
Net income per share - diluted	$ 0.08	$ 0.16	$ 0.33	$ 0.23	$ 0.58
Statements of Cash Flow					
Funds flow from operations	$ 22,410	$ 30,068	$ 50,028	$ 52,478	$ 89,784
Funds flow from operations per share - basic	$ 0.24	$ 0.34	$ 0.57	$ 0.57	$ 1.03
Funds flow from operations per share - diluted	$ 0.22	$ 0.32	$ 0.54	$ 0.54	$ 0.98
Cash flow from operating activities	$ 22,292	$ 33,948	$ 49,317	$ 56,240	$ 81,548
Weighted average number of shares - basic	94,776	88,287	87,095	91,549	86,885
Weighted average number of shares - diluted	99,917	94,110	92,087	97,061	91,488

	June 30, 2023	December 31, 2022
Statements of Financial Position		
Property and equipment	$ 736,129	$ 701,045
Total assets	$ 799,284	$ 768,058
Working (deficit) capital surplus	$ 3,125	$ (136,920)
Adjusted net debt	$ 119,958	$ 134,364
Shareholders equity	$ 511,125	$ 473,574

Company Netbacks ($/boe)

	2023		2022	Six Months Ended	
	Q2	Q1	Q2	2023	2022
Sales price	$ 34.86	$ 43.91	$ 71.37	$ 39.42	$ 64.35
Royalty expense	(3.10)	(4.68)	(5.84)	(3.90)	(4.40)
Production costs	(6.54)	(7.00)	(5.95)	(6.77)	(5.56)
Transportation costs	(1.45)	(1.35)	(1.24)	(1.40)	(1.24)
Field operating netback	**23.77**	**30.88**	**58.34**	**27.35**	**53.15**
Realized gain (loss) on commodity contract settlement	0.46	(0.04)	(2.82)	0.21	(1.45)
Operating netback	**24.23**	**30.84**	**55.52**	**27.56**	**51.70**
G&A	(1.23)	(1.41)	(1.06)	(1.32)	(1.03)
Cash finance expenses	(2.72)	(2.56)	(2.46)	(2.70)	(2.67)
Depletion and depreciation	(9.06)	(8.85)	(9.48)	(8.96)	(9.50)
Non Cash - finance expenses	(0.17)	(0.16)	(0.25)	(0.11)	(0.07)
Stock-based compensation	(0.39)	(0.41)	(0.19)	(0.40)	(0.18)
Unrealized gain (loss) on financial instruments	0.64	(0.02)	0.49	0.31	(0.44)
Deferred income tax	(4.20)	(4.07)	(10.68)	(4.14)	(9.19)
Net income netback	**$ 7.11**	**$ 13.35**	**$ 31.89**	**$ 10.25**	**$ 28.63**

Business Environment

	2023		2022	Six Months Ended	
	Q2	Q1	Q2	2023	2022
Realized Pricing (Including realized commodity contracts)					
Light Crude Oil ($/bbl)	$ 94.74	$ 100.12	$ 130.38	$ 95.73	$ 119.49
NGL ($/bbl)	$ 42.20	$ 49.85	$ 70.70	$ 46.23	$ 69.99
Natural Gas ($/mcf)	$ 2.33	$ 3.46	$ 7.50	$ 2.99	$ 6.18
Realized Pricing (Excluding commodity contracts)					
Light Crude Oil ($/bbl)	$ 94.74	$ 100.12	$ 137.95	$ 95.73	$ 123.03
NGL ($/bbl)	$ 39.35	$ 49.92	$ 70.46	$ 44.92	$ 69.84
Natural Gas ($/mcf)	$ 2.37	$ 3.45	$ 7.86	$ 3.00	$ 6.37
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 73.76	$ 77.45	$ 108.40	$ 74.92	$ 101.43
Edmonton Par ($/bbl)	$ 95.04	$ 100.88	$ 136.20	$ 97.41	$ 126.76
Edmonton Par to WTI differential (US$/bbl)	$ (3.00)	$ (2.82)	$ (1.70)	$ (2.63)	$ (1.73)
Natural Gas Price Benchmarks					
AECO gas ($/mcf)	$ 2.32	$ 3.32	$ 6.68	$ 2.82	$ 5.58
Foreign Exchange					
Canadian Dollar/U.S. Exchange	0.74	0.74	0.78	0.74	0.79

Operations Summary

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

	2023		2022	Six Months Ended	
	Q2	Q1	Q2	2023	2022
Daily production volumes					
Natural Gas (mcf/d)	44,799	43,180	36,874	43,994	35,289
Light Crude Oil (bbl/d)	2,417	2,709	2,271	2,558	2,432
NGL's (bbl/d)	2,220	2,506	2,138	2,366	1,987
Combined (BOE/d 6:1)	12,103	12,412	10,554	12,257	10,301
Revenue					
Petroleum & natural gas sales	$ 38,396	$ 49,055	$ 68,545	$ 87,451	$ 119,973
Realized gain (loss) on commodity contract settlement	510	(40)	(2,712)	470	(2,701)
Total sales	38,906	49,015	65,833	87,921	117,272
Royalty expense	(3,414)	(5,228)	(5,605)	(8,642)	(8,210)
Total Revenue - Net of royalties	$ 35,492	$ 43,787	$ 60,228	$ 79,279	$ 109,062

Net Debt Summary

The following table summarizes the $14.4 million reduction change in adjusted net debt during the six months ended June 30, 2023, and the $62.4 million reduction during the year ended December 31, 2022.

	Six months ended June 30, 2023	Year ended December 31, 2022
Adjusted net debt - beginning of period	$ (134,364)	$ (196,794)
Funds flow from operations	$ 52,478	177,194
Additions to property and equipment	$ (52,679)	(109,354)
Decommissioning costs incurred	$ -	(291)
Additions to E&E Assets	$ (264)	(3,888)
Issuance of shares	$ 15,993	1,077
Lease obligation repayment	$ (744)	(2,331)
Other	$ (378)	23
Adjusted net debt - end of period	$ (119,958)	$ (134,364)
Credit facility limit	$ 145,000	$ 180,000

Capital Spending

Capital spending is summarized as follows:

	2023		2022	Six Months Ended	
Cash additions	Q2	Q1	Q2	2023	2022
Land, acquisitions and lease rentals	$ 250	$ 128	$ 40	$ 378	$ 201
Drilling and completion	14,457	25,805	23,806	40,259	42,146
Geological and geophysical	(183)	423	191	240	313
Equipment	5,009	5,893	2,808	10,903	5,259
Other asset additions	656	241	116	899	307
	$ 20,189	$ 32,490	$ 26,961	$ 52,679	$ 48,226
Exploration & evaluation assets	$ -	$ 264	$ 308	$ 264	$ 382

Quarter End Disclosure

The Company's June 30, 2023 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 "operating netback" and "operating margins". 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 measures 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, 2023 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, expected benefits associated with the increased footprint of the OFS Group and corresponding reductions in operating costs; the benefits of changes to drill and completion operations; expectations regarding debt repayments 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 commodity pricing, inflation and timing of operations and the timing and duration of spring break-up conditions. 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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our expectations regarding reductions in operating costs related to the OFS Group, which is subject to the same assumptions, risk factors, limitations and qualifications set forth in the above paragraphs. The actual results may vary from the amounts set forth herein and such variation may be material. Yangarra and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Yangarra undertakes no obligation to update such FOFI. FOFI contained in this press release was made as of the date of this press release and was provided for the purposes of providing further information about Yangarra's future business operations. Readers are cautioned that FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.

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

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