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## Yangarra Announces 2023 Third Quarter Financial and Operating Results

November 8, 2023

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

### Operations Update

Yangarra grew funds flow from operations<sup>(1)</sup> by 29% from last quarter, while maintaining production, despite a number of unplanned and extended 3<sup>rd</sup> party turnarounds. The nine wells brought on stream toward the end of Q3 are currently flowing back, recovering frac fluids.

Drilling costs continue to improve with a reduction of 15-30% in drilling spud to rig release times when compared with previous years, which has mitigated most of the cost escalations experienced over the past 18 months.

Completion techniques are evolving as well, and the Company is evaluating smart dart completions on six wells and three Perf & Plug completions for comparison with the standard coil activated sleeve completions.

Subsequent to the end of Q3, a small tuck-in of a jointly owned property was closed with 75 boe/d of production and 3 (1.25 net) sections of land at a compelling valuation.

### Third Quarter Highlights

- Funds flow from operations<sup>(1)</sup> of \$29.0 million (\$0.29 per share – diluted), a decrease of 36% from the same period in 2022
- Petroleum and natural gas sales were \$45.4 million, a decrease of 28% from the same period in 2022
- Adjusted EBITDA<sup>(1)</sup> was \$31.6 million (\$0.32 per share – diluted)
- Net income of \$11.5 million (\$0.11 per share – diluted, \$15.2 million before tax), a decrease of 59% from the same period in 2022
- Average production of 12,109 boe/d (39% liquids) during the quarter, a 3% increase from the same period in 2022
- Operating costs were \$8.21/boe (including \$1.68/boe of transportation costs)
- Field operating netbacks<sup>(1)</sup> were \$29.79/boe
- Operating netbacks<sup>(1)</sup>, which include the impact of commodity contracts, were \$29.86/boe
- Operating margins<sup>(1)</sup> were 73% and funds flow from operations margins<sup>(1)</sup> were 64%
- G&A costs of \$1.10/boe
- Royalties were 7% of oil and gas sales

- All in cash costs were \$14.79/boe
- Capital expenditures were \$25.3 million
- Adjusted net debt<sup>(1)</sup> was \$116.9 million
- Adjusted net debt to third quarter annualized funds flow from operations<sup>(1)</sup> was 1.0: 1
- \$3.0 million of adjusted net debt was repaid during the third quarter
- Retained earnings of \$299.3 million
- Decommissioning liabilities of \$15.2 million (discounted)

Notes

(1) See Non-IFRS Financial Measures

Financial Summary

	2023		2022		Nine Months Ended	
	Q3	Q2	Q3	Q3	2023	2022
<b>Statements of Income and Comprehensive Income</b>						
Petroleum & natural gas sales	\$ 45,414	\$ 38,396	\$ 62,791	\$ 132,865	\$ 182,764	
Income before tax	\$ 15,157	\$ 12,457	\$ 36,193	\$ 47,073	\$ 106,670	
Net income	\$ 11,487	\$ 7,833	\$ 27,936	\$ 34,229	\$ 81,287	
Net income per share - basic	\$ 0.12	\$ 0.08	\$ 0.32	\$ 0.37	\$ 0.93	
Net income per share - diluted	\$ 0.11	\$ 0.08	\$ 0.30	\$ 0.35	\$ 0.88	
<b>Statements of Cash Flow</b>						
Funds flow from operations	\$ 28,994	\$ 22,410	\$ 45,602	\$ 81,472	\$ 135,386	
Funds flow from operations per share - basic	\$ 0.31	\$ 0.24	\$ 0.52	\$ 0.88	\$ 1.55	
Funds flow from operations per share - diluted	\$ 0.29	\$ 0.22	\$ 0.49	\$ 0.83	\$ 1.47	
Cash flow from operating activities	\$ 25,995	\$ 22,292	\$ 47,440	\$ 82,235	\$ 128,988	
Weighted average number of shares - basic	94,801	94,776	87,951	92,644	87,244	
Weighted average number of shares - diluted	100,043	99,917	92,609	98,050	91,866	

	September 30, 2023		December 31, 2022	
<b>Statements of Financial Position</b>				
Property and equipment	\$ 751,896	\$ 701,045		
Total assets	\$ 819,902	\$ 768,058		
Working capital deficit	\$ (483)	\$ (136,920)		
Adjusted net debt	\$ 116,924	\$ 134,364		
Shareholders equity	\$ 523,399	\$ 473,574		

## Company Netbacks (\$/boe)

	2023			2022		Nine Months Ended	
	Q3	Q2	Q3	Q3	2023	2022	
Sales price	\$ 40.76	\$ 34.86	\$ 58.09	\$ 39.87	\$ 62.05		
Royalty expense	(2.77)	(3.10)	(4.93)	(3.52)	(4.60)		
Production costs	(6.53)	(6.54)	(6.26)	(6.69)	(5.82)		
Transportation costs	(1.68)	(1.45)	(1.15)	(1.50)	(1.21)		
<b>Field operating netback</b>	<b>29.79</b>	<b>23.77</b>	<b>45.74</b>	<b>28.16</b>	<b>50.43</b>		
Realized gain (loss) on commodity contract settlement	0.07	0.46	(0.30)	0.16	(1.03)		
<b>Operating netback</b>	<b>29.86</b>	<b>24.23</b>	<b>45.44</b>	<b>28.33</b>	<b>49.40</b>		
G&A	(1.10)	(1.23)	(0.78)	(1.25)	(0.94)		
Cash finance expenses	(2.77)	(2.72)	(2.56)	(2.77)	(2.66)		
Depletion and depreciation	(9.14)	(9.06)	(9.05)	(9.02)	(9.33)		
Non Cash - finance expenses	(0.27)	(0.17)	(0.18)	(0.11)	(0.08)		
Stock-based compensation	(0.37)	(0.39)	(0.16)	(0.39)	(0.17)		
Unrealized gain (loss) on financial instruments	(2.59)	0.64	0.76	(0.66)	0.00		
Deferred income tax	(3.29)	(4.20)	(7.64)	(3.85)	(8.62)		
<b>Net income netback</b>	<b>\$ 10.31</b>	<b>\$ 7.11</b>	<b>\$ 25.84</b>	<b>\$ 10.27</b>	<b>\$ 27.60</b>		

## Business Environment

	2023			2022		Nine Months Ended	
	Q3	Q2	Q3	Q3	2023	2022	
<b>Realized Pricing (Including realized commodity contracts)</b>							
Light Crude Oil (\$/bbl)	\$ 105.54	\$ 94.74	\$ 116.44	\$ 98.65	\$ 118.26		
NGL (\$/bbl)	\$ 56.47	\$ 42.20	\$ 56.35	\$ 49.87	\$ 64.93		
Natural Gas (\$/mcf)	\$ 2.80	\$ 2.33	\$ 4.61	\$ 2.92	\$ 5.63		
<b>Realized Pricing (Excluding commodity contracts)</b>							
Light Crude Oil (\$/bbl)	\$ 107.06	\$ 94.74	\$ 116.44	\$ 99.11	\$ 120.37		
NGL (\$/bbl)	\$ 54.60	\$ 39.35	\$ 56.28	\$ 48.36	\$ 64.81		
Natural Gas (\$/mcf)	\$ 2.81	\$ 2.36	\$ 4.71	\$ 2.93	\$ 5.79		
<b>Oil Price Benchmarks</b>							
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 82.30	\$ 73.76	\$ 93.18	\$ 77.38	\$ 98.68		
Edmonton Par (\$/bbl)	\$ 107.26	\$ 95.04	\$ 116.64	\$ 100.69	\$ 123.39		
Edmonton Par to WTI differential (US\$/bbl)	\$ (2.32)	\$ (3.00)	\$ (3.37)	\$ (2.53)	\$ (2.44)		
<b>Natural Gas Price Benchmarks</b>							
AECO gas (\$/mcf)	\$ 2.44	\$ 2.32	\$ 3.95	\$ 2.69	\$ 5.04		
<b>Foreign Exchange</b>							
Canadian Dollar/U.S. Exchange	0.75	0.74	0.77	0.74	0.78		

## Operations Summary

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

	2023		2022	Nine Months Ended	
	Q3	Q2	Q3	2023	2022
<b>Daily production volumes</b>					
Natural Gas (mcf/d)	44,451	44,799	37,214	44,148	35,938
Light Crude Oil (bbl/d)	2,138	2,417	3,248	2,416	2,705
NGL's (bbl/d)	2,563	2,220	2,300	2,433	2,094
Combined (BOE/d 6:1)	12,109	12,103	11,750	12,207	10,789
<b>Revenue</b>					
Petroleum & natural gas sales	\$ 45,414	\$ 38,396	\$ 62,791	\$ 132,865	\$ 182,764
Realized gain (loss) on commodity contract settlement	78	510	(325)	548	(3,026)
Total sales	45,492	38,906	62,466	133,413	179,738
Royalty expense	(3,087)	(3,414)	(5,333)	(11,729)	(13,543)
Total Revenue - Net of royalties	\$ 42,405	\$ 35,492	\$ 57,133	\$ 121,684	\$ 166,195

## Net Debt Summary

The following table summarizes the \$17.4 million reduction change in adjusted net debt during the nine months ended September 30, 2023, and the \$62.4 million reduction during the year ended December 31, 2022.

	Nine months ended		Year ended
	September 30, 2023		December 31, 2022
Adjusted net debt - beginning of period	\$	(134,364)	\$ (196,794)
Funds flow from operations	\$	81,472	177,194
Additions to property and equipment	\$	(78,013)	(109,354)
Decommissioning costs incurred	\$	-	(291)
Additions to E&E Assets	\$	(264)	(3,888)
Issuance of shares	\$	15,988	1,077
Lease obligation repayment	\$	(1,131)	(2,331)
Other	\$	(612)	23
Adjusted net debt - end of period	\$	(116,924)	\$ (134,364)

Credit facility limit	\$	140,000	\$	180,000
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## Capital Spending

Capital spending is summarized as follows:

	2023		2022	Nine Months Ended	
	Q3	Q2	Q3	2023	2022
Cash additions					
Land, acquisitions and lease rentals	\$ 114	\$ 250	\$ 200	\$ 492	\$ 401
Drilling and completion	21,550	14,457	28,114	61,809	70,260
Geological and geophysical	-	(183)	164	240	477
Equipment	3,123	5,009	4,345	14,026	9,604
Other asset additions	547	656	273	1,446	580
	\$ 25,334	\$ 20,189	\$ 33,096	\$ 78,013	\$ 81,322
Exploration & evaluation assets	\$ -	\$ -	\$ 3,506	\$ 264	\$ 3,888

## **Quarter End Disclosure**

The Company's September 30, 2023 unaudited condensed interim consolidated financial statements and management's discussion and analysis will be filed on SEDAR ([www.sedarplus.ca](http://www.sedarplus.ca)) and are available on the Company's website ([www.yangarra.ca](http://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. Figures that are presented on a boe basis herein are calculated as the total aggregate amount for the period divided by boe production volumes for the period. 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. For additional information regarding netbacks and operating margins, see "Non-IFRS Financial Measures".*

*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.*

## ***Non-IFRS Financial Measures***

*This press release contains various specified financial measures that do not have standardized meanings as prescribed by International Financial Reporting Standards ("IFRS"). 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. Readers are cautioned that such financial measures should not be construed as alternatives to or more meaningful than the most directly comparable IFRS measures as indicators of the Company's performance. 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 and should not be considered in isolation.*

### **Funds flow from operations**

*Funds flow from operations ("FFO") 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. Management uses FFO to analyze operating performance and leverage and considers FFO to be a key measure as it demonstrates the Company's ability to generate cash flow necessary to fund future capital investments and to repay debt, if applicable. FFO is calculated using cash flow from operating activities before changes in non-cash working capital and decommissioning costs incurred.*

*The following table reconciles FFO to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:*

	2023		2022	Nine Months Ended	
	Q3	Q2	Q3	2023	2022
Cash flow from operating activities	\$ 25,995	\$ 22,292	\$ 47,440	\$ 82,235	\$ 128,988
Changes in non-cash working capital	2,999	118	(1,838)	(763)	6,398
Funds flow from operations	\$ 28,994	\$ 22,410	\$ 45,602	\$ 81,472	\$ 135,386

Yangarra presents FFO per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net income per share.

Funds from operations netback is calculated on a per boe basis.

### Adjusted EBITDA

Yangarra defines Adjusted EBITDA as **earnings** before interest, taxes, depletion and depreciation, which represents EBITDA, excluding changes in the fair value of commodity contracts. Management believes that Adjusted EBITDA is a useful measure, which provides 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. The most directly comparable IFRS financial measure to Adjusted EBITDA is net income (loss). The following table provides a reconciliation of Adjusted EBITDA to net income (loss).

	2023		2022	Nine Months Ended	
	Q3	Q2	Q3	2023	2022
Net income for the Period	\$ 11,487	\$ 7,833	\$ 27,936	\$ 34,229	\$ 81,287
Finance	3,386	3,175	2,960	9,605	8,072
Deferred tax expense	3,670	4,624	8,257	12,844	25,383
Depletion and depreciation	10,182	9,980	9,779	30,053	27,492
Change in fair value of commodity contracts	2,889	(707)	(821)	2,204	(1)
Adjusted EBITDA	\$ 31,614	\$ 24,905	\$ 48,111	\$ 88,935	\$ 142,233

### Adjusted Net Debt

Yangarra defines Adjusted net debt as the sum of our existing credit facilities, trade and other payables, and trade receivables and prepaids. Yangarra uses Adjusted net debt to assess efficiency, liquidity and the general financial strength of the Company. The most directly comparable IFRS financial measure to Adjusted net debt is Bank Debt. The following table provides a calculation of adjusted net debt.

	Sep 30, 2023	Dec 31, 2022
Bank Debt	\$ 127,073	\$ 139,405
Accounts receivable	(31,872)	(31,950)
Prepaid expenses and inventory	(9,634)	(8,809)
Accounts payable and accrued liabilities	31,357	35,718
Adjusted net Debt	\$ 116,924	\$ 134,364

### Adjusted net debt to third quarter annualized FFO

Adjusted net debt to third quarter annualized FFO is a non-GAAP financial ratio calculated as adjusted net debt divided by third quarter annualized FFO.

## Netbacks

*The Company considers corporate netbacks to be a key measure that demonstrates Yangarra's profitability relative to current commodity prices. Corporate netbacks are comprised of operating, field operating, FFO and net income (loss) netbacks.*

*Yangarra calculates Field Operating netback as the average sales price of its commodities (including realized gains (losses) on financial instruments) less royalties, operating costs and transportation expenses. Operating netback starts with Field Operating netback and subtracts realized gains (losses) on financial instruments. FFO netback starts with the Operating netback and further deducts general and administrative costs, finance expense and adds finance income. To calculate the net income (loss) netback, Yangarra takes the Operating netback and deducts share-based compensation expense as well as depletion and depreciation charges, accretion expense, unrealized gains (losses) on financial instruments, any impairment or exploration and evaluation expense and deferred income taxes.*

## FFO margins and operating margins

*FFO margins and operating margins are calculated as the ratio of FFO netbacks to sales price and operating netback to sales price, respectively.*

*Please refer to the management discussion and analysis for the three and nine months ended September 30, 2023, for further discussion on the Non-IFRS financial measures presented in this press release.*

## **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, but not limited to, statements on potential completion techniques being considered. 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](http://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.*