Yangarra Resources Ltd.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024 and 2023

Management's discussion and analysis ("MD&A") of the financial condition and the results of operations should be read in conjunction with the Company's June 30, 2024 unaudited condensed interim consolidated financial statements and the December 31, 2023 audited consolidated financial statements, together with the accompanying notes.

Yangarra Resources Ltd. (the "Company" or "Yangarra") is a publicly-traded company involved in the production, exploration and development of resource properties in Western Canada. The address of the registered office is 1530, 715 – 5 Avenue SW, Calgary Alberta, T2P 2X6.

Additional information about Yangarra filed with Canadian securities commissions is available on-line at www.sedarplus.ca.

The MD&A has been prepared using information that is current to July 30, 2024.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Throughout this discussion, percentage changes are calculated using numbers rounded to the decimal to which they appear. All references to dollar amounts are in Canadian dollars.

BOE Presentation

Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalent wellhead value for the individual products. Such disclosure of boe may be misleading, particularly 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. Readers should be aware that historical results are not necessarily indicative of future performance.

Non–IFRS and Additional IFRS Measures

This document contains "funds flow from operations" or "FFO", which is an additional IFRS measure. This document also contains the terms "adjusted net debt", "netbacks" "adjusted EBITDA" and "capital expenditures", which are non-IFRS financial measures. The Company uses these measures to help evaluate its performance. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. 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.

Funds flow from operations ("FFO")

Yangarra's determination of FFO and FFO per share may not be comparable to that reported by other companies. 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. 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.

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

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Cash flow from operating activities	$ 19,315	$ 22,292	$ 41,439	$ 56,240
Changes in non-cash working capital	2,096	118	4,232	(3,762)
Funds flow from operations	$ 21,411	$ 22,410	$ 45,671	$ 52,478

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. Field operating netback is calculated 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 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. See "Company Netbacks", below, for the Company's calculation of netbacks.

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.

Adjusted net debt

Adjusted net debt is used to assess efficiency, liquidity and the general financial strength of the Company. We define adjusted net debt as the sum of our existing credit facilities, accounts payable and accrued liabilities, accounts receivable and prepaid expenses and inventory (if any). The following table summarizes our calculation of adjusted net debt:

	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
Bank Debt	$ 117,321	$ 117,337	$ 121,057
Accounts receivable	(29,548)	(34,929)	(30,092)
Prepaid expenses and inventory	(9,008)	(9,415)	(8,918)
Accounts payable and accrued liabilities	17,247	36,155	36,599
Adjusted net Debt	$ 96,012	$ 109,148	$ 118,646

Adjusted earnings before interest, taxes, depletion and depreciation, amortization

Adjusted earnings before interest, taxes, depletion and depreciation, amortization ("Adjusted EBITDA") which represents EBITDA, excluding changes in the fair value of commodity contracts, is used to assess efficiency, liquidity and the general financial strength of the Company.

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Net income for the Period	$ 9,350	$ 7,833	$ 18,380	$ 22,742
Finance	2,404	3,175	5,984	6,219
Deferred tax expense	3,164	4,624	6,226	9,174
Depletion and depreciation	8,878	9,980	18,579	19,871
Change in fair value of commodity contracts	(1,301)	(707)	(387)	(685)
Adjusted EBITDA	$ 22,495	$ 24,905	$ 48,782	$ 57,321

Working capital surplus (deficit)

Working capital surplus (deficit) is the total of current assets less current liabilities and is used to assess efficiency, liquidity and the general financial strength of the Company.

Forward-looking Statements

Certain information regarding the Company set forth in this report, including management's assessment of the Company's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond the Company's control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits the Company can derive from such events.

Overview

Yangarra is a junior oil and gas company engaged in the exploration, development and production of natural gas and oil with operations in Western Canada, with a main focus on the Cardium in Central Alberta, where the Company has extensive infrastructure and land holdings. Yangarra is dedicated to creating value for its shareholders through its commitment to a clear business strategy and performance objectives. The Company's strategy is to increase the value of its corporate assets through the drill bit and by assembling a large, focused land base in Central Alberta that features high-quality, long-life light oil and liquids-rich gas reserves. The Company has assembled a significant future drilling inventory and will strive to grow this inventory through drilling, geology and strategic acquisitions.

Second Quarter Highlights

- Funds flow from operations of $21.4 million ($0.20 per share – fully diluted), a decrease of 4% from the same period in 2023
- $13.1 million of adjusted net debt was repaid during the second quarter
- Oil and gas sales were $35.7 million, a decrease of 7% from the same period in 2023
- Adjusted EBITDA was $22.5 million ($0.21 per share - fully diluted)
- Net income of $9.4 million ($0.09 per share – fully diluted, $12.5 million before tax), an increase of 19% from the same period in 2023
- Average production of 11,366 boe/d (41% liquids) during the quarter, a 6% decrease from the same period in 2023
- Operating costs were $8.54/boe (including $1.89/boe of transportation costs)
- Field operating netbacks were $24.09/boe
- Operating netbacks, which include the impact of commodity contracts, were $23.79/boe
- Operating margins were 69% and funds flow from operations margins were 60%
- G&A costs of $1.22/boe
- Royalties were 6% of oil and gas revenue
- All in cash costs were $13.82/boe
- Capital expenditures were $8.1 million
- Adjusted net debt was $96.0 million
- Adjusted net debt to second quarter annualized funds flow from operations was 1.1 : 1
- Retained earnings of $330.1 million
- Decommissioning liabilities of $16.3 million (discounted)
- Completed the borrowing base review and the Company's syndicated senior credit facility was set at $130 million

Operations Update

The Company grew production to 11,366 boe/d for the second quarter due to a strong finish for the winter drill program and continued success in the well stimulation program. Yangarra spent $8.1 million in capital, resulting in $13.1 million of free cash flow, which decreased net debt to $96.0 million, the lowest it has been since 2017 when production averaged 5,740 boe/d.

Natural gas prices remain weak which provides an opportune time for Yangarra to perform turnarounds on much of the compressor fleet. Two of the five facilities were overhauled in the second quarter with the balance to be completed in the third quarter. This positions Yangarra with no major turnarounds for the next 4-5 years. The third quarter turnarounds will coincide with a major turnaround at a third-party facility that is expected to curtail the majority of Yangarra's production for up to two weeks. As a result, third quarter average production will be lower than the first half of the year but should improve in the fourth quarter with new wells being brought on stream. The Company expects production to remain relatively flat for the year.

During the Q2 period of lower capital spending, the Company initiated a field wide program to upgrade all facilities and well sites to 2024 standards, paint facilities as needed and upgrade roads and sites to ensure all weather access, this has resulted in higher operating costs in the short-term.

The Alberta Energy Regulator ("AER") mandated 2024 closure spend quota for Asset Retirement Obligations ("ARO") of $513,000 has been satisfied at the end of July with substantial progress on advancing reclamation certificates on many of the outstanding abandoned and reclaimed leases in the portfolio.

The drilling program started up again late June, with plans to drill up to six wells during the third quarter along with four planned completions. The remaining completions will likely be delayed until natural gas prices show improvement, and the fourth quarter drilling program will be decided in the context of natural gas pricing.

Financial Information

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Statements of Income and Comprehensive Income				
Petroleum & natural gas sales	$ 35,718	$ 38,396	$ 76,143	$ 87,451
Income before tax	$ 12,514	$ 12,457	$ 24,606	$ 31,916
Net income	$ 9,350	$ 7,833	$ 18,380	$ 22,742
Net income per share - basic	$ 0.09	$ 0.08	$ 0.19	$ 0.25
Net income per share - diluted	$ 0.09	$ 0.08	$ 0.18	$ 0.23
Statements of Cash Flow				
Funds flow from operations	$ 21,411	$ 22,410	$ 45,671	$ 52,478
Funds flow from operations per share - basic	$ 0.22	$ 0.24	$ 0.47	$ 0.57
Funds flow from operations per share - diluted	$ 0.20	$ 0.22	$ 0.44	$ 0.54
Cash flow from operating activities	$ 19,315	$ 22,292	$ 41,439	$ 56,240
Weighted average number of shares - basic	98,734	94,776	97,452	91,549
Weighted average number of shares - diluted	105,269	99,917	103,993	97,061

	June 30, 2024	December 31, 2023
Statements of Financial Position		
Property and equipment	$ 766,187	$ 759,967
Total assets	$ 840,988	$ 835,217
Working capital surplus (deficit)	$ 19,692	$ (735)
Adjusted net debt	$ 96,012	$ 118,646
Shareholders equity	$ 559,483	$ 536,598

Business Environment

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Realized Pricing (Including realized commodity contracts)				
Light Crude Oil ($/bbl)	$ 101.65	$ 94.74	$ 97.54	$ 95.73
NGL ($/bbl)	$ 41.82	$ 42.20	$ 45.05	$ 46.23
Natural Gas ($/mcf)	$ 1.23	$ 2.33	$ 1.85	$ 2.99
Realized Pricing (Excluding commodity contracts)				
Light Crude Oil ($/bbl)	$ 103.46	$ 94.74	$ 99.34	$ 95.73
NGL ($/bbl)	$ 41.82	$ 39.35	$ 45.05	$ 44.92
Natural Gas ($/mcf)	$ 1.21	$ 2.36	$ 1.88	$ 3.00
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US$/bbl)	$ 81.71	$ 73.76	$ 79.64	$ 74.92
Edmonton Par ($/bbl)	$ 101.44	$ 95.04	$ 96.23	$ 97.41
Edmonton Par to WTI differential (US$/bbl)	$ (7.58)	$ (3.00)	$ (8.81)	$ (2.63)
Natural Gas Price Benchmarks				
AECO gas ($/mcf)	$ 1.12	$ 2.32	$ 1.74	$ 2.82
Foreign Exchange				
Canadian Dollar/U.S. Exchange	0.73	0.74	0.74	0.74

Crude oil prices increased by 11% for Q2 2024, with the West Texas Intermediate ("WTI") reference price averaging US$81.71/bbl compared with US$73.76/bbl in the same period in 2023. For the six months ended June 30, 2024, WTI prices were up 6% averaging US$79.64/bbl. Demand for crude oil is generally tied to global economic growth, but is also influenced by factors such as infrastructure, political instability, market uncertainty, weather conditions, government regulations and the wars in Ukraine and the Middle East.

Edmonton par differentials to WTI widened in Q2 2024 when compared to Q2 2023, moving from a US$3.00/bbl differential in Q2 2023 to US$7.58/bbl in Q2 2024. In the six months ended June 30, 2024, Edmonton par differentials widened from US$2.63/bbl to US$8.81/bbl. The Edmonton par reference price is denominated in Canadian dollars so the change in the foreign exchange rate has increased the Edmonton par price relative to WTI. Edmonton par is the closest reference price point for Yangarra's oil and therefore is the closest proxy to realized pricing.

In Q2 2024, the US/CDN foreign exchange rate was 0.73 compared to 0.74 in Q2 2023 and was 0.74 for the six months ended June 30, 2024 compared to 0.74 for the same period in 2023.

When compared to the three and six months ended June 30, 2023, realized pricing on oil earned in the 2024 periods increased by 9% and 4%, respectively, excluding commodity contracts, and increased by 7% and 2%, respectively, when the effects of commodity contracts are included. The increase in oil pricing is a direct result of increased WTI pricing.

When compared to the three and six months ended June 30, 2023, liquids pricing earned in the 2024 periods increased by 6%, and stayed flat, respectively, excluding commodity contracts, and decreased by 1% and 3%, respectively, when the effects of commodity contracts are included, due to higher condensate pricing which is linked to oil prices offset by the hedging program in 2023.

AECO natural gas prices decreased by 52% to $1.12/mcf for the three months ended June 30, 2024 and by 38% to $1.74/mcf for the six months ended June 30, 2024 as compared to the 2023 periods.

When compared to the three and six months ended June 30, 2023, realized pricing on natural gas earned in the 2024 periods decreased by 49% and 37%, respectively, excluding commodity contracts, and decreased by 47% and 38%, respectively, when the effects of commodity contracts are included.

Results of Operations

Net petroleum and natural gas production, pricing and revenue

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Daily production volumes				
Natural Gas (mcf/d)	40,226	44,799	39,336	43,994
Light Crude Oil (bbl/d)	2,394	2,417	2,431	2,558
NGL's (bbl/d)	2,267	2,220	2,287	2,366
Combined (BOE/d 6:1)	11,366	12,103	11,274	12,257
Revenue				
Petroleum & natural gas sales	$ 35,718	$ 38,396	$ 76,143	$ 87,451
Realized gain (loss) on commodity contract settlement	(319)	510	(984)	470
Total sales	35,399	38,906	75,159	87,921
Royalty expense	(1,964)	(3,414)	(4,596)	(8,642)
Total Revenue - Net of royalties	$ 33,435	$ 35,492	$ 70,563	$ 79,279

Total sales in Q2 2024 decreased by 9% to $35.4 million from $38.9 million in 2023. The change is attributable to:

- A 1% decrease in average product prices
- A 6% decrease in production (on a boe basis)
- Realized losses on commodity contracts of $0.3 million in Q2 2024 versus gains of $0.5 million in Q2 2023

Total sales in the six months ended June 30, 2024 decreased by 15% to $75.2 million from $87.9 million in the same period 2023. The change is attributable to:

- A 6% decrease in average product prices; and
- A 8% decrease in production (on a boe basis)
- Realized losses on commodity contracts of $1.0 million versus gains of $0.5 million in 2023

Company Netbacks ($/boe)

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Sales price	$ 34.53	$ 34.86	$ 37.11	$ 39.42
Royalty expense	(1.90)	(3.10)	(2.24)	(3.90)
Production costs	(6.65)	(6.54)	(6.45)	(6.77)
Transportation costs	(1.89)	(1.45)	(1.80)	(1.40)
Field operating netback	**24.09**	**23.77**	**26.62**	**27.35**
Realized gain (loss) on commodity contract settlement	(0.31)	0.46	(0.48)	0.21
Operating netback	**23.78**	**24.23**	**26.14**	**27.56**
G&A	(1.22)	(1.23)	(1.54)	(1.32)
Cash finance expenses	(1.86)	(2.72)	(2.60)	(2.70)
Depletion and depreciation	(8.58)	(9.06)	(9.05)	(8.96)
Non Cash - finance expenses	(0.47)	(0.17)	(0.32)	(0.11)
Stock-based compensation	(0.82)	(0.39)	(0.83)	(0.40)
Unrealized gain (loss) on financial instruments	1.26	0.64	0.19	0.31
Deferred income tax	(3.06)	(4.20)	(3.03)	(4.14)
Net income netback	**$ 9.03**	**$ 7.10**	**$ 8.97**	**$ 10.24**

The overall average price earned by the Company in Q2 2024 was lower when compared to Q2 2023 as natural gas prices decreased by 47%, oil prices increased by 7% and liquids prices decreased by 1%. The average sales price decreased by 1% in Q2 2024 when compared to 2023.

Field netbacks increased by 1% in Q2 2024 and decreased by 3% for the six months ended June 30, 2024 with higher realized pricing in 2023 lower royalties in Q2 2024 and lower pricing in the six months ended June 30, 2024.

Operating netbacks decreased by 2% in Q2 2024 and decreased by 5% for the six months ended June 30, 2024 when compared to the same periods in 2023 the impact of realized losses on commodity contracts.

Royalty

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Royalty expense	$ 1,964	$ 3,414	$ 4,596	$ 8,642
Per BOE	$ 1.90	$ 3.10	$ 2.24	$ 3.90
As a % of sales (including commodity contracts)	6%	9%	6%	10%
As a % of sales (excluding commodity contracts)	5%	9%	6%	10%

Royalties decreased to $1,964 during Q2 2024 or 5% as a percentage of sales (excluding commodity contact settlements) and for the six months ended June 30, 2024, royalties decreased to $4,596 or 6% as a percentage of sales. The decrease is a result of higher gas cost allowance amounts in 2024 due to higher gas infrastructure spending compounded by decreased royalty rates due to lower commodity pricing.

Production and Transportation Costs

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Production costs	$ 6,873	$ 7,206	$ 13,231	$ 15,028
Per BOE	$ 6.65	$ 6.54	$ 6.45	$ 6.77
Transportation costs	$ 1,958	$ 1,598	$ 3,692	$ 3,110
Per BOE	$ 1.89	$ 1.45	$ 1.80	$ 1.40
Combined ($/BOE)	$ 8.54	$ 7.99	$ 8.25	$ 8.18

Production and transportation costs increased by 7% on a per boe basis in Q2 2024 and increased by 1% on a per boe basis when compared to the six months ended June 30, 2023, due to repairs and maintenance work throughout the field during a period of lower capital spending and higher third party transportation costs.

Depletion and depreciation

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Depletion and depreciation	$ 8,878	$ 9,980	$ 18,579	$ 19,871
Per BOE	$ 8.58	$ 9.06	$ 9.05	$ 8.96

Depletion and depreciation expense decreased in Q2 2024 due to lower production. On a per boe basis, the depletion rate decreased when compared Q2 2023 due to higher finding and development costs in the 2024 reserve base.

General and administrative expenses ("G&A")

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Gross G&A expenses	$ 1,445	$ 1,619	$ 3,480	$ 3,600
G&A recoveries	(182)	(263)	(330)	(665)
Net G&A expenses	$ 1,263	$ 1,356	$ 3,150	$ 2,935
Per BOE	$ 1.22	$ 1.23	$ 1.54	$ 1.32

G&A during Q2 2024 decreased by 11% on a gross basis due to lower staffing costs and decreased by 7% on a net basis due to lower recoveries when compared to three months ended June 30, 2023. When compared to the six months ended June 30, 2023, G&A decreased by 3% on a gross basis due to the staffing changes and increased by 7% on a net basis due to due lower recoveries.

On a boe basis, for the three and six months ended June 30, 2024, G&A decreased by 1% and increased by 16% due to the cost of staffing changes offset by the effect of decreased production volumes in 2024.

Other expenses

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Cash Finance				
Cash interest and finance expense	$ 1,930	$ 2,922	$ 4,819	$ 5,728
Lease interest paid	(11)	70	78	124
Non-Cash Finance				
Accretion of decommissioning liability	144	115	273	235
Accretion of debt issue costs	189	84	379	188
Accretion on lease obligations	152	(16)	435	(56)
	$ 2,404	$ 3,175	$ 5,984	$ 6,219
Share-based compensation	$ 846	$ 427	$ 1,708	$ 885

Interest and financing fees include interest on the Company's bank debt (the average amount drawn in 2024 was $119,162) and bank debt servicing charges.

For the six months ended June 30, 2024, if interest rates had been 1% lower with all other variables held constant, net income would have been $594 (six months ended June 30, 2024 – $628) higher, due to lower interest expense. An equal and opposite impact would have occurred had interest rates been higher by the same amount. The Company had no interest rate contracts in place as at June 30, 2024.

In the six months ended June 30, 2024 the Company issued 4,893 (2023 – 1,590) RSUs that vest equally over 3 years. The RSUs are exercisable in either cash or shares at the option of the Company. As it is the Company's intention to settle in shares, the RSUs are treated as share-based compensation with a fair value on the date of issue of $1.11 (2023 – $2.67) per RSU.

During the six months ended June 30, 2024, the Company recognized $1,708 (2023 – $885) of share-based compensation in the condensed interim consolidated statements of income and comprehensive income. During the six months ended June 30, 2024, the Company capitalized $704 (2023 – $899) of share-based compensation to property and equipment.

Commodity price risk contracts

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Realized gain (loss) on commodity contract settlement	$ (319)	$ 510	$ (984)	$ 470
Change in fair value of commodity contracts	1,301	707	387	685
	$ 982	$ 1,217	$ (597)	$ 1,155

As at June 30, 2024, the Company was committed to the following commodity price risk contracts:

Year	*Volume*		*Term*	*Reference*	*Type*	*Strike Price*
Natural Gas						
2024	3,000	GJ/d	Jul 24 - Dec 24	AECO - 7A	Put	CAD $1.50
2024	4,400	GJ/d	Jul 24 - Dec 24	AECO - 7A	Put	CAD $1.50
2024	2,800	GJ/d	Jul 24 - Sep 24	AECO - 7A	Put	CAD $1.25
2024	2,800	GJ/d	Oct 24	AECO - 7A	Put	CAD $1.25
2024	2,800	GJ/d	Nov 24	AECO - 7A	Put	CAD $1.25
Oil						
2024	400	bbl/d	Jul 24 - Dec 24	WTI - USD	Put	USD - $50.00
2024	800	bbl/d	Jul 24 - Dec 24	WTI - USD	Put	USD - $50.00
2024	450	bbl/d	Jul 24 - Sep 24	WTI - USD	Put	USD - $50.00
2024	450	bbl/d	Oct 24	WTI - USD	Put	USD - $50.00
2024	450	bbl/d	Nov 24	WTI - USD	Put	USD - $50.00
2024	450	bbl/d	Dec 24	WTI - USD	Collar	USD $50.00 - 100.60 /bbl
2025	1,650	bbl/d	Jan 25	WTI - USD	Collar	USD $50.00 - 98.50 /bbl
Total						

As the Company had a limited number of derivatives in place as at June 30, 2024 the sensitivity of the fair value of a 10% volatility in commodity prices would have an immaterial impact on unrealized gains (losses) reported in the consolidated statements of income and comprehensive income.

Deferred Taxes

	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Deferred tax expense	$ 3,164	$ 4,624	$ 6,226	$ 9,174

Yangarra did not pay income taxes in 2024 and does not expect to pay income taxes in 2025 or into the near future as it has sufficient tax pools to cover taxable income. Deferred tax expense is lower in the 2024 period than in the 2023 period due to lower taxable income in the 2024 period requiring lower tax pool deductions.

Liquidity and Capital Resources

The following table summarizes the change in adjusted net debt during the six months ended June 30, 2024 and year ended December 31, 2023:

		Six months ended June 30, 2024		Year ended December 31, 2023
Adjusted net debt - beginning of period	$	(118,646)	$	(134,364)
Funds flow from operations	$	45,671		99,024
Additions to property and equipment	$	(24,069)		(93,950)
Decommissioning costs incurred	$	-		(488)
Additions to E&E Assets	$	-		(353)
Issuance of shares	$	2,093		15,988
Lease obligation repayment	$	(604)		(1,525)
Other	$	(457)		(2,978)
Adjusted net debt - end of period	$	(96,012)	$	(118,646)
Credit facility limit	$	130,000	$	135,000

At June 30, 2024, the maximum amount available under the syndicated credit facility was $130,000 (December 31, 2023 – $135,000) comprised of a $105,000 (December 31, 2023 – $110,000) extendable revolving term credit facility and a $25,000 (December 31, 2023 – $25,000) operating facility. The amount available under these facilities is re-determined at least twice a year and is primarily based on the Company's oil and gas reserves, the syndicate of lending institutions' forecast commodity prices, the current economic environment and other factors as determined by the syndicate (the "Borrowing Base"). If the total advances made under the credit facilities are greater than the re-determined Borrowing Base, the Company has 60 days to repay any shortfall. The facilities last for a 364-day period and will be subject to the next 364-day extension by May 30, 2025. If not extended by May 30, 2025, the facilities will cease to revolve, and all outstanding balances will become repayable on May 30, 2026.

Balance, December 31, 2023	$	121,057
Repayment		(4,115)
Accretion of debt transaction costs		379
Balance, June 30, 2024	**$**	117,321

As at June 30, 2024, the $117,321 (December 31, 2023 – $121,057) reported amount of bank debt was comprised of $14,121 (December 31, 2023 – $12,908) drawn on the operating facility and $104,243 (December 31, 2023 – $109,139) drawn on the revolving facility and net of unamortized transaction costs of $1,043 (December 31, 2023 – $990).

The Company is subject to a financial covenant requiring an adjusted working capital ratio above 1:1 (current assets plus the undrawn availability under the revolving facility, divided by the current liabilities less the drawn portion of the revolving facility and excluding unrealized commodity contracts). The Company was in compliance with this covenant as at June 30, 2024 and December 31, 2023. The facilities are secured by a general security agreement over all assets of the Company. The Company is required to ensure that not less than 30% of the forecasted daily production six months forward is hedged. The Company is in compliance with the hedging requirements.

The total standby fees on the revolving facility range, depending on the debt to EBITDA ratio, between 200 bps to 400 bps on bank prime borrowings and between 300 bps and 500 bps on bankers' acceptances. The undrawn portion of the revolving facility is subject to a standby fee in the range of 75 bps to 125 bps.

During the six months ended June 30, 2024, the weighted average effective interest rate for the bank debt was approximately 9.19% (six months ended June 30, 2023 – 8.31%).

Capital Spending

Cash additions	2024 Q2	2023 Q2	Six Months Ended 2024	Six Months Ended 2023
Land, acquisitions and lease rentals	$ 80	$ 250	$ 148	$ 378
Drilling and completion	5,394	14,457	19,542	40,259
Geological and geophysical	-	(183)	323	240
Equipment	2,457	5,009	3,196	10,903
Other asset additions	127	656	860	899
	$ 8,058	$ 20,189	$ 24,069	$ 52,679
Exploration & evaluation assets	$ -	$ -	$ -	$ 264

Capital spending in the second quarter of 2024 was to finish the completion program started in the first quarter, turnarounds at two facilities, pipeline work and lease construction for the Q3 drilling program.

Outlook

- Yangarra's primary goal in 2024 is to hit a debt target of $80 million and then focus on shareholder returns.
- The Company has set a capital budget of $70 million for 2024.
    - The second half spending has been set at $45 - $50 million, however this is dependent on an improvement in commodity pricing.
    - Included in the budget is a well stimulation and optimization program targeting 20-25% of legacy wells. This stimulation strategy was initiated in 2021 and now has evolved to where the Company can apply the strategy to the entire field annually.
    - The 2024 capital budget is designed to hold production flat for 2024, while maximizing debt repayment.

Decommissioning Liabilities

As at June 30, 2024, the undiscounted decommissioning obligation associated with the Company's existing properties was estimated to be $21,212 for which $16,281 has been recorded using a discount rate of 3.34% to 4.17%, an inflation rate of 2% and an estimated weighted average timing of cash flows of 5.8 years.

Off Balance Sheet Arrangements

There were no off-balance sheet arrangements.

Share Capital

Details of changes in the number of outstanding equity instruments are detailed in the following table:

	Common Shares	Stock Options	Restricted Share Units
Balance - December 31, 2023	94,801	7,604	1,590
Granted	-	-	4,893
Exercised	3,473	(3,473)	-
Vested	460	-	(460)
Forfeited	-	(1,422)	(230)
Balance - June 30, 2024 & Date of MD&A	98,734	2,709	5,793

Contingency

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

Contractual Obligations and Commitments

As at June 30, 2024 the contractual maturities of the Company's obligations are as follows

	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years
Accounts payable and accrued liabilities	$ 17,247	$ 17,247	$ 17,247	$ –	$ –
Bank debt	117,321	118,364	118,364	–	–
Lease obligations	2,213	2,218	1,066	677	475
Other liabilities	953	953	–	–	953
Commodity contracts	615	615	615	–	–
	$ 138,349	$ 139,397	$ 137,292	$ 677	$ 1,428

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's accounts receivable are with natural gas and liquids marketers and partners on joint operations in the oil and gas industry and are subject to normal industry credit risks.

Purchasers of the Company's natural gas and liquids are subject to credit review to minimize the risk of non-payment. As at June 30, 2024, the maximum credit exposure is the carrying amount of the accounts receivable of $29,548 (December 31, 2023 – $30,092).

The maximum exposure to credit risk for accounts receivable by type of customer was:

	June 30, 2024	*December 31, 2023*
Natural gas and liquids marketers	$ 11,804	$ 11,906
Partners on joint operations	13,728	14,458
Other	4,016	3,728
	$ 29,548	$ 30,092

The Company historically has not experienced any significant collection issues with its natural gas and liquids marketers. The majority of the revenue accruals and receivables from natural gas and liquids marketers were received in July 2024.

The Company's receivables are aged as follows:

	June 30, 2024	*December 31, 2023*
Under 30 days	$ 14,355	$ 21,751
30 to 60 days	410	263
60 to 90 days	2,717	1,971
Over 90 days	12,066	6,107
	$ 29,548	$ 30,092

Capital Resources

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its capital expenditure program, which includes expenditures in oil and gas activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure.

The Company considers its capital structure to include shareholders' equity and debt:

	June 30, 2024	*December 31, 2023*
Shareholders' equity	$ 559,483	$ 536,598
Bank debt	$ 117,321	$ 121,057

The Company monitors capital based on annual cash from operations before changes in non-cash working capital and capital expenditure budgets, which are updated as necessary and are reviewed and periodically approved by the Board of Directors.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including the current economic conditions, the risk characteristics of the Company's petroleum and natural gas assets, the depth of its investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices and other facts that influence commodity prices and funds from operations such as quality and basis differentials, royalties, operating costs and transportation costs. In order to maintain or adjust the capital structure, the Company considers its forecasted cash from operations before changes in non-cash working capital while attempting to finance an acceptable capital expenditure program including acquisition opportunities, the current level of bank debt available from the Company's lender, the level of bank debt that may be attainable from its lender as a result of petroleum and natural gas reserve growth, the availability of other sources of debt with different characteristics than existing debt, the sale of assets, limiting the size of the capital expenditure program and the issue of new equity if available on favorable terms. At June 30, 2024 and December 31, 2023, the Company's capital structure was subject to banking covenants. No changes were made to the capital policy in 2024.

Selected Quarterly Financial Information

	2024 Q2($)	2024 Q1($)	2023 Q4($)	2023 Q3($)
Petroleum & natural gas sales	35,718	40,425	33,651	45,414
Net income	9,350	9,030	12,435	11,487
Net income per share – basic [(1)]	0.09	0.09	0.13	0.12
Net income per share – diluted [(1)]	0.09	0.09	0.12	0.11
Funds flow from operations	21,411	24,260	17,552	28,994
Funds flow from operations per share – basic [(1)]	0.22	0.25	0.19	0.31
Funds flow from operations per share –diluted [(1)]	0.20	0.24	0.18	0.29
Capital expenditures (including E&E)	8,058	16,011	16,026	25,334

	2023 Q2 ($)	2023 Q1 ($)	2022 Q4 ($)	2022 Q3 ($)
Petroleum & natural gas sales	38,396	49,055	60,292	62,791
Net income	7,833	14,909	25,071	27,936
Net income per share – basic [(1)]	0.08	0.17	0.29	0.32
Net income per share – diluted [(1)]	0.08	0.16	0.27	0.30
Funds flow from operations	22,410	30,068	41,808	45,602
Funds flow from operations per share – basic [(1)]	0.24	0.34	0.48	0.52
Funds flow from operations per share –diluted [(1)]	0.22	0.32	0.45	0.49
Capital expenditures (including E&E)	20,189	32,754	28,030	36,602

[(1)] Sum of quarterly per share figures may not add to annual per share figures due to rounding.

Quarterly activities

Fluctuations in quarterly revenues, net income and FFO over the last eight quarters are due primarily to the volatility in commodity prices and changes in sales volumes due to production growth and declines tied to the timing of drilling activity. The Company has focused capital expenditures on drilling and completions which resulted in new wells put on production in 2023 and a corresponding increase in petroleum and natural gas sales related, however commodity pricing decreased in 2023 leading to reduced revenue. Oil pricing started to improve in early 2024, however gas pricing has continued to weaken.

Business Risks and Uncertainties

The Company is exposed to several operational risks inherent in exploring, developing, producing and marketing light crude oil and natural gas. These inherent risks include: economic risk of finding and producing reserves at a reasonable cost; financial risk of marketing reserves at an acceptable price given current market conditions; cost of capital risk associated with securing the needed capital to carry out the Company's operations; risk of environment impact; and credit risk of non-payment for sales contracts and joint venture partners. Other than the risks described herein (including the risks and uncertainties listed in the Forward-Looking Statements section in this MD&A) the Company is also subject to the risk factors set forth in the most recently filed AIF of the Company available on SEDAR which can be accessed at www.sedarplus.ca

The Company attempts to control operating risks by maintaining a disciplined approach to implementation of its exploration and development programs. Exploration risks are managed by hiring experienced technical professionals and by concentrating the exploration activity on reservoirs where the Company has experience

and expertise. The Company also generates internal prospects and participates in projects where ownership interest is considered sufficient to minimize risk. Operational control allows the Company to manage costs, timing and sales of production and to ensure new production is brought on-stream in a timely manner. The Company maintains a comprehensive insurance program to reduce risk to an acceptable level and to protect it against significant losses.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which could be material. Senior management continually assesses new and existing regulatory requirements and environmental risks and determines the impact these risks might have on the Company, as well as the appropriate actions necessary to manage those risks. These assessments and the resulting policy decisions are discussed quarterly with the Board of Directors which evaluates the performance and effectiveness of the Company's environmental policies and programs.

The Company's environmental responsibilities includes removing property, plant and equipment as well as reclaiming land and property to its original state, subsequent to the completion of oil and natural gas extraction activities. This requirement results in an asset retirement obligation that provides current recognition of estimated expenditures that will be incurred in the future. The Company's decommissioning liabilities are discussed in further detail under "Critical Accounting Estimates" in Note 2 of the Company's December 31, 2023 audited consolidated financial statements, as well as in Note 5 of the Company's June 30, 2024 unaudited condensed interim consolidated financial statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

As at June 30, 2024, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules adopted by the Canadian securities regulatory authorities, was carried out under the supervision and with the participation of Management, including the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and CFO concluded that, as at June 30, 2024, the design and operation of the Company's disclosure controls and procedures were effective in meeting all regulatory filing requirements.

Internal control over financial reporting ("ICFR") means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Procedures ("GAAP") and includes those policies and procedures that:

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial reports;

Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

Management has conducted an evaluation of its internal controls over financial reporting and determined that as at June 30, 2024 the controls were effective to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external reporting purposes. In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control - Integrated Framework (1992). The control framework Yangarra's officers used to design the Company's ICFR is the 2013 Framework.

During the period beginning on April 1, 2024 and ending on June 30, 2024, there were no material changes to the Company's ICFR and the CEO and CFO have filed certifications with the Canadian securities regulators regarding the Company's 2024 public filing documents.

Critical Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial position date which are based on information available to management at each financial statement date. Actual results could differ from those estimated. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There have been no changes to the Company's critical accounting judgments and estimates during the period ended June 30, 2024. Refer to Note 2 of the Company's December 31, 2023 audited consolidated financial statements.