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Yangarra Announces 2024 Second Quarter Financial and Operating Results

July 30, 2024

Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three and six months ended June 30, 2024.

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.

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

Financial Summary

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Statements of Income and Comprehensive Income					
Petroleum & natural gas sales	\$ 35,718	\$ 40,425	\$ 38,396	\$ 76,143	\$ 87,451
Income before tax	\$ 12,514	\$ 12,092	\$ 12,457	\$ 24,606	\$ 31,916
Net income	\$ 9,350	\$ 9,030	\$ 7,833	\$ 18,380	\$ 22,742
Net income per share - basic	\$ 0.09	\$ 0.09	\$ 0.08	\$ 0.19	\$ 0.25
Net income per share - diluted	\$ 0.09	\$ 0.09	\$ 0.08	\$ 0.18	\$ 0.23
Statements of Cash Flow					
Funds flow from operations	\$ 21,411	\$ 24,260	\$ 22,410	\$ 45,671	\$ 52,478
Funds flow from operations per share - basic	\$ 0.22	\$ 0.25	\$ 0.24	\$ 0.47	\$ 0.57
Funds flow from operations per share - diluted	\$ 0.20	\$ 0.24	\$ 0.22	\$ 0.44	\$ 0.54
Cash flow from operating activities	\$ 19,315	\$ 22,124	\$ 22,292	\$ 41,439	\$ 56,240
Weighted average number of shares - basic	98,734	96,169	94,776	97,452	91,549
Weighted average number of shares - diluted	105,269	102,720	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

Company Netbacks (\$/boe)

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Sales price	\$ 34.53	\$ 39.72	\$ 34.86	\$ 37.11	\$ 39.42
Royalty expense	(1.90)	(2.59)	(3.10)	(2.24)	(3.90)
Production costs	(6.65)	(6.25)	(6.54)	(6.45)	(6.77)
Transportation costs	(1.89)	(1.70)	(1.45)	(1.80)	(1.40)
Field operating netback	24.09	29.18	23.77	26.62	27.35
Realized gain (loss) on commodity contract settlement	(0.31)	(0.65)	0.46	(0.48)	0.21
Operating netback	23.78	28.53	24.23	26.14	27.56
G&A	(1.22)	(1.85)	(1.23)	(1.54)	(1.32)
Cash finance expenses	(1.86)	(2.93)	(2.72)	(2.60)	(2.70)
Depletion and depreciation	(8.58)	(9.53)	(9.06)	(9.05)	(8.96)
Non Cash - finance expenses	(0.47)	(0.59)	(0.17)	(0.32)	(0.11)
Stock-based compensation	(0.82)	(0.85)	(0.39)	(0.83)	(0.40)
Unrealized gain (loss) on financial instruments	1.26	(0.90)	0.64	0.19	0.31
Deferred income tax	(3.06)	(3.01)	(4.20)	(3.03)	(4.14)
Net income netback	\$ 9.03	\$ 8.87	\$ 7.10	\$ 8.97	\$ 10.24

Business Environment

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Realized Pricing (Including realized commodity contracts)					
Light Crude Oil (\$/bbl)	\$ 101.65	\$ 93.50	\$ 94.74	\$ 97.54	\$ 95.73
NGL (\$/bbl)	\$ 41.82	\$ 48.17	\$ 42.20	\$ 45.05	\$ 46.23
Natural Gas (\$/mcf)	\$ 1.23	\$ 2.50	\$ 2.33	\$ 1.85	\$ 2.99
Realized Pricing (Excluding commodity contracts)					
Light Crude Oil (\$/bbl)	\$ 103.46	\$ 95.28	\$ 94.74	\$ 99.34	\$ 95.73
NGL (\$/bbl)	\$ 41.82	\$ 48.17	\$ 39.35	\$ 45.05	\$ 44.92
Natural Gas (\$/mcf)	\$ 1.21	\$ 2.57	\$ 2.36	\$ 1.88	\$ 3.00
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 81.71	\$ 78.19	\$ 73.76	\$ 79.64	\$ 74.92
Edmonton Par (\$/bbl)	\$ 101.44	\$ 91.01	\$ 95.04	\$ 96.23	\$ 97.41
Edmonton Par to WTI differential (US\$/bbl)	\$ (7.58)	\$ (10.72)	\$ (3.00)	\$ (8.81)	\$ (2.63)
Natural Gas Price Benchmarks					
AECO gas (\$/mcf)	\$ 1.12	\$ 2.36	\$ 2.32	\$ 1.74	\$ 2.82
Foreign Exchange					
Canadian Dollar/U.S. Exchange	0.73	0.74	0.74	0.74	0.74

Operations Summary

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

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Daily production volumes					
Natural Gas (mcf/d)	40,226	38,445	44,799	39,336	43,994
Light Crude Oil (bbl/d)	2,394	2,470	2,417	2,431	2,558
NGL's (bbl/d)	2,267	2,306	2,220	2,287	2,366
Combined (BOE/d 6:1)	11,366	11,183	12,103	11,274	12,257
Revenue					
Petroleum & natural gas sales	\$ 35,718	\$ 40,425	\$ 38,396	\$ 76,143	\$ 87,451
Realized gain (loss) on commodity contract settlement	(319)	(665)	510	(984)	470
Total sales	35,399	39,760	38,906	75,159	87,921
Royalty expense	(1,964)	(2,632)	(3,414)	(4,596)	(8,642)
Total Revenue - Net of royalties	\$ 33,435	\$ 37,128	\$ 35,492	\$ 70,563	\$ 79,279

Adjusted Net Debt Summary

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

	Six months ended		Year ended
	June 30, 2024	December 31, 2023	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	

Capital Spending

Capital spending is summarized as follows:

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Cash additions					
Land, acquisitions and lease rentals	\$ 80	\$ 68	\$ 250	\$ 148	\$ 378
Drilling and completion	5,394	14,148	14,457	19,542	40,259
Geological and geophysical	-	323	(183)	323	240
Equipment	2,457	739	5,009	3,196	10,903
Other asset additions	127	733	656	860	899
	\$ 8,058	\$ 16,011	\$ 20,189	\$ 24,069	\$ 52,679
Exploration & evaluation assets	\$ -	\$ 89	\$ -	\$ -	\$ 264

Quarter End Disclosure

The Company's June 30, 2024 unaudited condensed interim consolidated financial statements and management's discussion and analysis will be filed on SEDAR+ (www.sedarplus.ca) 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. 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:

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Cash flow from operating activities	\$ 19,315	\$ 22,124	\$ 22,292	\$ 41,439	\$ 56,240
Changes in non-cash working capital	2,096	2,136	118	4,232	(3,762)
Funds flow from operations	\$ 21,411	\$ 24,260	\$ 22,410	\$ 45,671	\$ 52,478

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).

	2024		2023	Six Months Ended	
	Q2	Q1	Q2	2024	2023
Net income for the Period	\$ 9,350	\$ 9,030	\$ 7,833	\$ 18,380	\$ 22,742
Finance	2,404	3,580	3,175	5,984	6,219
Deferred tax expense	3,164	3,062	4,624	6,226	9,174
Depletion and depreciation	8,878	9,701	9,980	18,579	19,871
Change in fair value of commodity contracts	(1,301)	914	(707)	(387)	(685)
Adjusted EBITDA	\$ 22,495	\$ 26,287	\$ 24,905	\$ 48,782	\$ 57,321

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.

	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 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 six months ended June 30, 2024, 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).

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.