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## Yangarra Announces 2018 Year End Financial and Operating Results

March 7, 2019

**Yangarra Resources Ltd.** ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the year ended December 31, 2018.

### 2018 Highlights

- Average Production of 9,425 boe/d an increase of 64% from 2017.
- Oil and gas sales were \$134 million with funds flow from operations of \$82 million (\$0.97 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$82 million (\$0.97 per share - basic).
- Net income of \$34 million (\$0.40 per share - basic) or \$48 million before tax.
- Operating costs were \$7.13/boe (including \$1.31/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were \$26.04 per boe.
- Operating margins were 65% and cash flow margins were 61%.
- G&A costs of \$0.72/boe.
- Royalties were 10% of oil and gas revenue.
- Total capital expenditures were \$151 million.
- Net debt (which excludes the current derivative financial instruments) was \$155 million.
- Net Debt to funds flow from operations was 1.9 : 1
- Wells drilled in 2018 resulted in a corporate half cycle IRR of 157% and a full cycle IRR of 107%
- Proved Developed Producing reserves increased by 96%, F&D costs were \$10.15/boe, the recycle ratio was 2.7 and additions replaced 434% of 2018 production.
- Total Proved reserves increased by 35%, F&D costs were \$6.63/boe, the recycle ratio was 4.1 and additions replaced 672% of 2017 production.
- Proved plus Probable reserves increased by 44%, F&D costs were \$4.90/boe, the recycle ratio was 5.6 and additions replaced 1,220% of 2018 production.
- Return on capital employed ("ROCE") of 12%
- Corporate LMR is 12.2 with decommissioning liabilities of \$12 million (discounted).
  - The decommissioning liabilities includes 26 inactive wells, all of which are scheduled to be abandoned before the end of 2019.

## Fourth Quarter Highlights

- Average production of 12,238 boe/d (58% liquids) during the quarter an increase of 19% from the third quarter of 2018 and 82% increase from the same period in 2017.
- Oil and gas sales were \$30 million, an increase of 20% from the same period in 2017.
- Funds flow from operations of \$17 million (\$0.20 per share - basic), a decrease of 2% from the same period in 2017.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$17 million (\$0.20 per share - basic).
- Net income of \$13 million (\$0.16 per share - basic) or \$19 million net income before tax.
- Operating costs were \$6.88/boe (including \$1.31/boe of transportation costs).
- Field netbacks were \$16.58 per boe.
- Operating netbacks, which include the impact of commodity contracts, were \$17.56 per boe.
- Operating margins were 65% and cash flow margins were 55%.
- G&A costs of \$1.01/boe, which included year-end bonuses.
- Royalties were 12% of oil and gas revenue.
- Total capital expenditures were \$37 million.
- Net Debt to annualized fourth quarter funds flow from operations was 2.3 : 1.

## Syndicated Facility

Subsequent to December 31, 2018, the borrowing base review was completed and the maximum amount available under the syndicated credit facility was increased to \$225 million.

## Financial Summary

	2018		2017	Year Ended	
	Q4	Q3	Q4	2018	2017
<b>Statements of Comprehensive Income</b>					
Petroleum & natural gas sales	\$ 30,174	\$ 45,132	\$ 25,172	\$ 134,978	\$ 77,913
Net income (before tax)	\$ 18,842	\$ 18,302	\$ 6,598	\$ 47,795	\$ 27,346
Net income	\$ 13,315	\$ 12,947	\$ 4,682	\$ 33,566	\$ 19,485
Net income per share - basic	\$ 0.16	\$ 0.15	\$ 0.06	\$ 0.40	\$ 0.24
Net income per share - diluted	\$ 0.15	\$ 0.15	\$ 0.05	\$ 0.39	\$ 0.23
<b>Statements of Cash Flow</b>					
Funds flow from operations	\$ 17,167	\$ 29,524	\$ 17,564	\$ 82,335	\$ 52,903
Funds flow from operations per share - basic	\$ 0.20	\$ 0.35	\$ 0.22	\$ 0.97	\$ 0.66
Funds flow from operations per share - diluted	\$ 0.20	\$ 0.34	\$ 0.20	\$ 0.95	\$ 0.63
Cash from operating activities	\$ 25,952	\$ 26,539	\$ 20,542	\$ 83,768	\$ 51,775
<b>Statements of Financial Position</b>					
Property and equipment	\$ 454,772	\$ 426,745	\$ 342,100	\$ 454,772	\$ 342,100
Total assets	\$ 501,974	\$ 479,397	\$ 378,231	\$ 501,974	\$ 378,231
Working capital deficit	\$ 20,775	\$ 23,528	\$ 11,210	\$ 20,775	\$ 11,210
Net Debt (which excludes current derivative financial instruments)	\$ 155,882	\$ 135,712	\$ 93,533	\$ 155,882	\$ 93,533
Non-Current Liabilities, excluding bank debt	\$ 60,204	\$ 58,467	\$ 44,367	\$ 60,204	\$ 44,367
Shareholders equity	\$ 255,336	\$ 239,946	\$ 207,957	\$ 255,336	\$ 207,957
Weighted average number of shares - basic	85,340	85,331	81,302	84,653	80,720
Weighted average number of shares - diluted	86,981	87,614	85,749	86,860	84,157

## Company Netbacks (\$/boe)

	2018		2017	Year Ended	
	Q4	Q3	Q4	2018	2017
Sales price	\$26.80	\$ 47.52	\$ 40.71	\$ 39.24	\$ 37.19
Royalty expense	(3.34)	(4.38)	(3.80)	(3.90)	(3.06)
Production costs	(5.57)	(5.28)	(6.49)	(5.82)	(6.74)
Transportation costs	(1.31)	(1.07)	(0.97)	(1.31)	(1.03)
<b>Field operating netback</b>	<b>16.58</b>	<b>36.79</b>	<b>29.45</b>	<b>28.21</b>	<b>26.36</b>
Realized gain (loss) on commodity contract settlement	0.98	(3.65)	0.93	(2.17)	1.32
<b>Operating netback</b>	<b>17.56</b>	<b>33.15</b>	<b>30.39</b>	<b>26.04</b>	<b>27.68</b>
G&A	(1.01)	(0.61)	(1.44)	(0.72)	(0.95)
Finance expenses	(1.72)	(1.30)	(0.32)	(1.45)	(1.07)
<b>Funds flow netback</b>	<b>14.83</b>	<b>31.24</b>	<b>28.63</b>	<b>23.87</b>	<b>25.66</b>
Depletion and depreciation	(7.61)	(10.09)	(9.63)	(9.26)	(10.47)
Asset Impairment	(0.00)	(0.85)	-	(0.23)	-
Accretion	(0.06)	(0.06)	(0.74)	(0.07)	(0.29)
Stock-based compensation	(1.37)	(1.59)	(0.66)	(1.52)	(0.72)
Unrealized gain (loss) on financial instruments	10.94	0.62	(6.92)	1.10	(1.13)
Deferred income tax	(4.91)	(5.64)	(3.10)	(4.14)	(3.75)
<b>Net Income netback</b>	<b>\$ 11.83</b>	<b>\$ 13.63</b>	<b>\$ 7.57</b>	<b>\$ 9.76</b>	<b>\$ 9.30</b>

## Commodity Prices

	2018		2017	Year Ended	
	Q4	Q3	Q4	2018	2017
<b>Realized Pricing (Including realized commodity contracts)</b>					
Oil (\$/bbl)	\$ 44.46	\$ 74.84	\$ 72.70	\$ 63.42	\$ 65.61
NGL (\$/bbl)	\$ 30.91	\$ 40.05	\$ 40.63	\$ 35.03	\$ 35.15
Gas (\$/mcf)	\$ 1.64	\$ 1.38	\$ 2.06	\$ 1.59	\$ 2.46
<b>Realized Pricing (Excluding commodity contracts)</b>					
Oil (\$/bbl)	\$ 42.58	\$ 82.54	\$ 72.33	\$ 67.48	\$ 64.23
NGL (\$/bbl)	\$ 29.73	\$ 41.76	\$ 40.29	\$ 37.87	\$ 33.74
Gas (\$/mcf)	\$ 1.64	\$ 1.30	\$ 1.77	\$ 1.57	\$ 2.25
<b>Oil Price Benchmarks</b>					
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 61.05	\$ 69.50	\$ 55.40	\$ 64.98	\$ 50.84
Edmonton Par (C\$/bbl)	\$ 42.71	\$ 81.92	\$ 69.30	\$ 69.35	\$ 63.20
Edmonton Par to WTI differential (US\$/bbl)	\$ (28.77)	\$ (6.83)	\$ (0.04)	\$ (11.48)	\$ (2.18)
<b>Natural Gas Price Benchmarks</b>					
AECO gas (Cdn\$/mcf)	\$ 1.59	\$ 1.19	\$ 1.70	\$ 1.51	\$ 2.15
<b>Foreign Exchange</b>					
U.S./Canadian Dollar Exchange	0.76	0.77	0.80	0.77	0.77

## Operations Summary

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

	2018		2017	Year Ended	
	Q4	Q3	Q4	2018	2017
<b>Daily production volumes</b>					
Natural gas (mcf/d)	30,573	24,378	16,782	22,993	14,901
Oil (bbl/d)	5,111	4,853	2,687	4,120	2,295
NGL's (bbl/d)	2,032	1,406	1,237	1,473	962
Combined (boe/d 6:1)	12,238	10,323	6,721	9,425	5,740
<b>Revenue</b>					
Petroleum & natural gas sales - Gross	\$ 30,174	\$ 45,132	\$ 25,172	\$ 134,978	\$ 77,913
Realized gain (loss) on commodity contract settlement	1,104	(3,462)	578	(7,449)	2,774
Total sales	31,278	41,670	25,750	127,529	80,687
Royalty expense	(3,763)	(4,157)	(2,349)	(13,405)	(6,412)
Total Revenue - Net of royalties	\$ 27,516	\$ 37,513	\$ 23,401	\$ 114,124	\$ 74,275

## Working Capital Summary

The following table summarizes the change in working capital during the year ended December 31, 2018 and December 31, 2017:

	2018	2017
Net Debt - beginning of period	\$ (93,533)	\$ (65,006)
Funds flow from operations	82,334	52,903
Additions to property and equipment	(141,060)	(83,472)
Decommissioning costs incurred	(333)	(95)
Additions to E&E Assets	(9,773)	-
Issuance of shares	6,776	2,180
Other	(293)	(42)
Net Debt - end of period	\$ (155,882)	\$ (93,533)
Credit facility limit	\$ 175,000	\$ 120,000

## Capital Spending

Capital spending is summarized as follows:

	2018		2017	Year Ended	
	Q4	Q3	Q4	2018	2017
<b>Cash additions</b>					
Land, acquisitions and lease rentals	\$ 340	\$ 79	\$ 1,163	\$ 569	\$ 7,165
Drilling and completion	22,299	38,265	25,406	106,855	64,309
Geological and geophysical	412	163	263	913	825
Equipment	11,991	9,893	4,312	32,337	10,854
Other asset additions	214	82	20	385	320
	\$ 35,256	\$ 48,481	\$ 31,164	\$ 141,060	\$ 83,472
Exploration & evaluation assets	\$ 1,690	\$ 1,563	\$ (730)	\$ 9,773	\$ (730)

## **Annual General Meeting of Shareholders**

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday May 9, 2019 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

## **Year End Disclosure**

The Company's financial statements, notes to the financial statements, management's discussion and analysis and annual information form will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and are available on the Company's website ([www.yangarra.ca](http://www.yangarra.ca)).

For further information, please contact James Evaskevich, President & CEO 403-262-9558.

## ***Forward looking information***

*Certain information regarding Yangarra set forth in this news release, management's assessment of future plans, operations and operational results may constitute forward-looking statements under applicable securities law and necessarily involve risks associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserves estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Certain of these risks are set out in more detail in Yangarra's current Annual Information Form, which is available on Yangarra's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*Forward-looking statements are based on estimates and opinions of management of Yangarra at the time the statements are presented. Yangarra may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but Yangarra undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.*

*The initial production rates discussed in this press release are not necessarily indicative of long-term performance or of ultimate recovery due to high initial decline rates.*

## ***Barrels of Oil Equivalent***

*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. Operating netbacks are calculated as revenue from all products less operating costs.*

## ***Finding and Development Costs ("F&D") and Recycle Ratios***

*F&D costs are calculated by dividing the identified capital expenditures by the applicable reserves additions. F&D costs can include or exclude changes to future development capital costs.*

*Recycle Ratio is calculated as operating netback divided by F&D costs.*

## ***Non-GAAP 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 "net debt". These measures do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") 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 GAAP, 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 net debt as a measure to assess its financial position. 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 EBITDA is a non-GAAP financial measures and do not have any standardized meaning under GAAP 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 GAAP as an indicator of Yangarra's financial performance.*

*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.*