



Suite 1530, 715 – 5 Avenue S.W. Calgary, Alberta T2P 2X6
Phone: (403) 262-9558 Fax: (403) 262-8281
Webpage: www.yangarra.ca Email: info@yangarra.ca

Yangarra Announces First Quarter 2018 Financial and Operating Results

May 9, 2018

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

First Quarter Highlights

- Production of 7,507 boe/d (59% liquids), an increase of 12% from the fourth quarter of 2017.
- Oil and gas sales were \$29.7 million with funds flow from operations of \$18.6 million (\$0.22 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$18.7 million (\$0.23 per share - basic).
- Net income of \$5.7 million (\$0.07 per share - basic) or \$8.0 million net income before tax.
- Operating costs were \$8.05/boe (including \$1.65/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were \$29.59 per boe.
- Operating margins were 67% and cash flow margins were 63%.
- G&A costs of \$0.57/boe.
- Royalties were 9% of oil and gas revenue.
- Total capital expenditures were \$31.3 million plus \$5.1 million of land purchases
- Net debt (which excludes the current derivative financial instruments) was \$108.0 million
 - On April 6, 2018 the syndicated credit facility was increased to \$150 million.
- Net Debt to annualized first quarter funds flow from operations was 1.45 : 1

Operations Update

The Company drilled 10 gross (8.2 net) wells in the first quarter consisting of 5 gross (4.7 net) two-mile horizontal wells and 5 gross (3.5 net) one-mile horizontal wells. Five of the ten wells were completed and placed onstream with the remaining five to be completed in May. The five wells being completed in May, together with an additional 500 boe/d of restricted volumes in the area, will be placed onstream with the commissioning of the 100% Yangarra owned West Ferrier facility, targeted for late June.

Well completions continue to evolve with the Company currently targeting 80 stages per mile with 20 tonnes of sand per stage.

With the 10 wells drilled in Q1, Yangarra has now drilled a total of 33 wells into bioturbated Cardium. The Company anticipates releasing average IP 30 results for wells 21-30 with its Q2 financial results. The Company expects to re-commence drilling operations in June with two rigs including a 5-well pad that is planned after breakup to evaluate cost savings from multi-well pad drilling.

Third party constraints on two wells and freeze-ups from colder than usual weather negatively impacted first quarter production and caused costs to increase by 8% on a per boe basis when compared to the fourth quarter of 2017. To alleviate third party constraints, Yangarra plans to tie in the two wells affected (~500 boe/d) into a Company owned facility in the area.

Financial Summary

	2018	2017	
	Q1	Q4	Q1
Statements of Comprehensive Income			
Petroleum & natural gas sales	\$ 29,749,716	\$ 25,172,383	\$ 15,539,302
Net income (before tax)	\$ 8,046,711	\$ 6,598,112	\$ 7,341,733
Net income	\$ 5,658,059	\$ 4,681,958	\$ 5,216,545
Net income per share - basic	\$ 0.07	\$ 0.06	\$ 0.07
Net income per share - diluted	\$ 0.07	\$ 0.05	\$ 0.06
Statements of Cash Flow			
Funds flow from operations	\$ 18,637,949	\$ 17,563,628	\$ 10,343,203
Funds flow from operations per share - basic	\$ 0.22	\$ 0.22	\$ 0.13
Funds flow from operations per share - diluted	\$ 0.22	\$ 0.20	\$ 0.12
Cash from operating activities	\$ 14,988,928	\$ 20,541,872	\$ 8,610,412
Statements of Financial Position			
Property and equipment	\$ 367,513,370	\$342,099,959	\$ 297,327,854
Total assets	\$ 411,579,250	\$378,231,413	\$ 322,741,856
Working capital deficit	\$ 18,844,775	\$ 11,210,245	\$ 77,233,927
Net Debt (which excludes current derivative financial instruments)	\$ 108,019,791	\$ 93,533,252	\$ 77,646,963
Non-Current Liabilities, excluding bank debt	\$ 47,626,159	\$ 44,366,746	\$ 36,541,365
Shareholders equity	\$ 218,030,997	\$207,956,623	\$ 190,315,027
Weighted average number of shares - basic	82,885,794	81,301,744	79,970,061
Weighted average number of shares - diluted	86,336,165	85,748,705	82,872,845

Company Netbacks (\$/boe)

	2018		2017	
	Q1	Q4	Q1	Q1
Sales price	\$ 44.03	\$ 40.71	\$ 38.54	
Royalty expense	(4.15)	(3.80)	(3.05)	
Production costs	(6.40)	(5.95)	(6.30)	
Transportation costs	(1.65)	(1.51)	(1.63)	
Field operating netback	31.84	29.45	27.56	
Realized gain (loss) on commodity contract settlement	(2.25)	0.93	0.21	
Operating netback	29.59	30.39	27.77	
G&A	(0.57)	(1.44)	(0.51)	
Finance expenses	(1.29)	(0.32)	(1.59)	
Funds flow netback	27.73	28.63	25.67	
Depletion and depreciation	(10.07)	(9.63)	(10.85)	
Accretion	(0.07)	(0.74)	(0.11)	
Stock-based compensation	(1.21)	(0.66)	(0.82)	
Unrealized gain (loss) on financial instruments	(4.47)	(6.92)	4.31	
Deferred income tax	(3.54)	(3.10)	(5.27)	
Net Income netback	\$ 8.37	\$ 7.57	\$ 12.93	

Business Environment

	2018		2017	
	Q1	Q4	Q1	Q1
Realized Pricing (Including realized commodity contracts)				
Oil (\$/bbl)	\$ 68.51	\$ 72.70	\$ 64.67	
NGL (\$/bbl)	\$ 40.50	\$ 40.63	\$ 30.43	
Gas (\$/mcf)	\$ 2.21	\$ 2.06	\$ 3.09	
Realized Pricing (Excluding commodity contracts)				
Oil (\$/bbl)	\$ 72.04	\$ 72.33	\$ 64.35	
NGL (\$/bbl)	\$ 45.24	\$ 40.29	\$ 29.96	
Gas (\$/mcf)	\$ 2.21	\$ 1.77	\$ 3.09	
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 62.87	\$ 55.40	\$ 51.91	
Edmonton Par (C\$/bbl)	\$ 72.06	\$ 69.30	\$ 64.25	
Edmonton Par to WTI differential (US\$/bbl)	\$ (5.87)	\$ 0.04	\$ (3.34)	
Natural Gas Price Benchmarks				
AECO gas (Cdn\$/mcf)	\$ 1.85	\$ 1.70	\$ 2.94	
Foreign Exchange				
U.S./Canadian Dollar Exchange	\$ 0.79	\$ 0.80	\$ 0.76	

Operations Summary

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

	2018		2017	
	Q1	Q4	Q1	
Daily production volumes				
Natural gas (mcf/d)	18,538	16,782	11,019	
Oil (bbl/d)	3,352	2,687	1,836	
NGL's (bbl/d)	1,066	1,237	809	
Combined (boe/d 6:1)	7,507	6,721	4,483	
Revenue				
Petroleum & natural gas sales - Gross	\$ 29,749,716	\$ 25,172,383	\$ 15,539,302	
Realized gain(loss) on commodity contract settlement	(1,522,025)	577,551	85,918	
Total sales	28,227,691	25,749,934	15,635,306	
Royalty expense	(2,801,221)	(2,348,635)	(1,231,175)	
Total Revenue - Net of royalties	\$ 25,426,470	\$ 23,401,299	\$ 14,404,131	

Working Capital Summary

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

	2018		2017	
Net Debt - beginning of period	\$	(93,533,252)	\$	(65,005,805)
Funds flow from operations		18,637,949		52,902,650
Additions to property and equipment		(31,312,146)		(83,472,094)
Decommissioning costs incurred		-		(95,433)
Additions to E&E Assets		(5,048,211)		-
Issuance of shares		3,307,797		2,179,593
Other		(71,928)		(42,163)
Net Debt - end of period	\$	(108,019,791)	\$	(93,533,252)
Credit facility limit	\$	120,000,000	\$	120,000,000

On April 6, 2018 the syndicated credit facility was increased to \$150 million.

Capital Spending

Capital spending is summarized as follows:

	2018		2017
Cash additions	Q1	Q4	Q1
Land, acquisitions and lease rentals	\$ 57,142	\$ 1,163,261	\$ 770,915
Drilling and completion	26,771,512	25,406,328	19,664,385
Geological and geophysical	139,091	262,675	143,792
Equipment	4,340,961	4,311,988	2,910,272
Other asset additions	3,439	20,023	6,898
	\$ 31,312,145	\$ 31,164,275	\$ 23,496,262

Exploration & evaluation assets	\$ 5,048,211	\$ (729,600)	\$ -
---------------------------------	--------------	--------------	------

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday May 10, 2018 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

Quarter End Disclosure

The Company's financial statements, notes to the financial statements and management's discussion and analysis for the year ended December 31, 2017 and three months ended March 31, 2018 have been filed on SEDAR (www.sedar.com) and are available on the Company's website (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.

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.

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.

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", "adjusted working capital deficit", 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. Adjusted working capital deficit includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and the deferred premium on financial instruments. 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 earnings before interest, taxes, depletion & depreciation, amortization ("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.