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Yangarra Announces Third Quarter 2017 Financial and Operating Results

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Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the three and nine months ended September 30, 2017.

Third Quarter Highlights

- Production averaged 6,025 boe/d (55% liquids), an increase of 131% from the third quarter of 2016.
- Production per share growth of 126% from the third quarter of 2016.
- Funds flow from operations of $12.9 million ($0.16 per share - basic) an increase of 289% compared to the third quarter of 2016.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $13.3 million ($0.16 per share - basic).
- Oil and gas sales were $17.7 million
- Net income of $4.0 million ($0.05 per share - basic) or $5.5 million net income before tax.
- Operating costs were $6.86 per boe (including $1.45 per boe of transportation costs).
- Operating netbacks, including the impact of commodity contracts, were $25.53 per boe.
- Funds flow netbacks were $24.07 per boe.
- Operating and funds flow margins were 80% and 76%, respectively.
- G&A costs of $0.74/boe.
- Royalties were 8% of oil and gas revenue 7% including the impact of commodity contracts.
- Total capital expenditures were $20.9 million.
- Net debt (excluding current derivative financial instruments) was $80.4 million.
- Net Debt to annualized third quarter funds flow from operations was 1.55: 1.
- 16 wells were abandoned during the quarter, corporate LMR is 7.3 with decommissioning liabilities of $8.4 million ($11.0 million undiscounted).

Operations Update

The Company has now drilled six wells in the post break-up drilling program (11 total wells for the year), and is currently drilling the 7th. Five of the wells have been completed and are on-stream and the sixth well will be completed shortly. The first three wells in the post break-up program were placed to push the boundaries of the Cardium acreage, step out into an untested area and test a new Cardium play concept. Frack stages have been increased to 125-135 per 2-mile (from 105 stages), sand placement has been increased to 0.8-1.1 tonnes/m (from 0.5 tonnes/m) and well design continues to be optimized.

Production rates over the first 30 days on the initial three wells have averaged 470 boe/d per well (74% liquids) with one of the wells restricted approximately 50% due to capacity constraints.

Drilling and completion costs for the first three wells increased by 11% to $1,420 per lateral meter (from $1,280 per lateral meter on the last ten well program) due to the increased number of stages, more sand placement and larger water volumes. Costs are now trending lower as the Company mitigates the higher frack intensity with more efficient operations.

A new oil handling facility has been constructed which will generate savings in operating and transportation costs. The Company is also implementing several water handling initiatives designed to increase recycling and reduce frack water costs.

To-date 2017, the Company has added 24 Cardium sections to its Central Alberta inventory and continues efforts to consolidate working interests on existing acreage. Yangarra will provide a new well inventory update in January 2018 as well as a capital budget and guidance for 2018.

The Company has 1,300 bbl/d of oil hedged at an average price of C$70.24/bbl and 4,000 GJ/d of natural gas hedged at an average price of $3.06/GJ for the balance of 2017.

Financial Summary

	2017		2016	Nine Months Ended	
	Q3	Q2	Q3	2017	2016
Statements of Comprehensive Income					
Petroleum & natural gas sales	$ 17,663,925	$ 19,527,395	$ 5,939,598	$ 52,740,708	$ 17,950,262
Net income (before tax)	$ 5,511,977	$ 7,893,731	$ (144,625)	$ 20,747,441	$ 8,819,319
Net income	$ 3,975,606	$ 5,611,218	$ (470,783)	$ 14,803,369	$ 10,507,948
Net income per share - basic	$ 0.05	$ 0.07	$ (0.01)	$ 0.18	$ 0.14
Net income per share - diluted	$ 0.05	$ 0.07	$ (0.01)	$ 0.18	$ 0.14
Statements of Cash Flow					
Funds flow from operations	$ 12,948,149	$ 12,047,670	$ 3,331,966	$ 35,339,023	$ 9,482,426
Funds flow from operations per share - basic	$ 0.16	$ 0.15	$ 0.04	$ 0.44	$ 0.13
Funds flow from operations per share - diluted	$ 0.15	$ 0.14	$ 0.04	$ 0.42	$ 0.13
Cash from operating activities	$ 13,381,396	$ 9,241,194	$ 4,866,167	$ 31,233,002	$ 9,282,616
Statements of Financial Position					
Property and equipment	$ 315,064,829	$299,963,241	$ 270,291,202	$ 315,064,829	$ 270,291,202
Total assets	$ 342,983,774	$326,865,302	$ 289,495,918	$ 342,983,774	$ 289,495,918
Working capital deficit	$ 79,069,633	$ 69,864,913	$ 58,221,548	$ 79,069,633	$ 58,221,548
Adjusted working capital deficit (which excludes current derivative financial instruments)	$ 80,449,394	$ 72,674,034	$ 58,387,741	$ 80,449,394	$ 58,387,741
Non-Current Liabilities	$ 40,523,942	$ 39,580,252	$ 35,205,085	$ 40,523,942	$ 35,205,085
Shareholders equity	$ 202,437,802	$197,280,541	$ 183,627,034	$ 202,437,802	$ 183,627,034
Weighted average number of shares - basic	81,033,965	80,555,880	79,181,805	80,523,866	73,054,066
Weighted average number of shares - diluted	84,772,793	84,065,109	79,181,805	83,692,914	73,433,974

Net income for the nine months ended September 30, 2016 included $13,082,687 from a gain on settlement of a lawsuit.

Company Netbacks ($/boe)

	2017 Q3	2017 Q2	2016 Q3	Nine Months Ended 2017	Nine Months Ended 2016
Sales price	$ 31.87	$ 37.61	$ 24.95	$ 35.71	$ 22.92
Royalty expense	(2.43)	(2.86)	(1.14)	(2.75)	(0.79)
Production costs	(5.41)	(8.26)	(6.97)	(6.84)	(7.09)
Transportation costs	(1.45)	(0.73)	(1.17)	(1.06)	(1.41)
Field operating netback	**22.58**	**25.76**	**15.67**	**25.06**	**13.63**
Realized gain on commodity contract settlement	2.95	0.92	1.95	1.49	2.38
Operating netback	**25.53**	**26.68**	**17.62**	**26.55**	**16.01**
G&A	(0.74)	(0.92)	(1.58)	(0.74)	(1.71)
Finance expenses	(0.71)	(1.95)	(1.85)	(1.39)	(2.01)
Funds flow netback	**24.07**	**23.81**	**14.19**	**24.42**	**12.29**
Depletion and depreciation	(10.95)	(10.68)	(13.37)	(10.83)	(13.18)
E&E Impairment	-	-	-	-	(0.96)
Accretion	(0.08)	(0.09)	(0.18)	(0.09)	(0.18)
Stock-based compensation	(0.71)	(0.71)	(0.80)	(0.74)	(1.01)
Unrealized gain (loss) on financial instruments	(2.39)	2.88	(0.44)	1.29	(2.37)
Gain on Settlement of Lawsuit	-	-	-	-	16.60
Deferred income tax	(2.77)	(4.40)	(1.36)	(4.02)	2.14
Net Income netback	**$ 7.17**	**$ 10.81**	**$ (1.96)**	**$ 10.02**	**$ 13.33**

Business Environment

	2017 Q3	2017 Q2	2016 Q3	Nine Months Ended 2017	Nine Months Ended 2016
Realized Pricing (Including realized commodity contracts)					
Oil ($/bbl)	$ 60.41	$ 63.69	$ 59.21	$ 62.66	$ 54.79
NGL ($/bbl)	$ 37.52	$ 29.14	$ 28.22	$ 32.51	$ 25.92
Gas ($/mcf)	$ 1.88	$ 3.00	$ 2.47	$ 2.62	$ 2.05
Realized Pricing (Excluding commodity contracts)					
Oil ($/bbl)	$ 56.51	$ 62.63	$ 57.88	$ 60.85	$ 49.11
NGL ($/bbl)	$ 33.39	$ 27.85	$ 18.98	$ 30.58	$ 20.27
Gas ($/mcf)	$ 1.60	$ 2.89	$ 2.47	$ 2.45	$ 2.05
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 48.20	$ 48.29	$ 44.95	$ 49.45	$ 41.35
Edmonton Par (C$/bbl)	$ 57.05	$ 61.92	$ 55.10	$ 61.20	$ 50.90
Edmonton Par to WTI differential (US$/bbl)	$ 2.56	$ 2.20	$ 2.52	$ 2.61	$ 2.67
Natural Gas Price Benchmarks					
AECO gas (Cdn$/mcf)	$ 1.45	$ 2.78	$ 2.30	$ 2.30	$ 1.85
Foreign Exchange					
U.S./Canadian Dollar Exchange	$ 0.80	$ 0.74	$ 0.77	$ 0.77	$ 0.76

Operations Summary

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

	2017 Q3	2017 Q2	2016 Q3	Nine Months Ended 2017	Nine Months Ended 2016
Daily production volumes					
Natural gas (mcf/d)	16,142	15,586	9,429	14,260	10,004
Oil (bbl/d)	2,380	2,281	569	2,165	724
NGL's (bbl/d)	955	826	469	866	485
Combined (boe/d 6:1)	6,025	5,705	2,609	5,408	2,876
Revenue					
Petroleum & natural gas sales - Gross	$ 17,663,925	$ 19,527,395	$ 5,988,310	$ 52,740,708	$ 18,064,181
Realized gain on commodity contract settlement	1,632,783	477,734	468,105	2,196,435	1,877,098
Total sales	19,296,708	20,005,129	6,456,415	54,937,143	19,941,279
Royalty expense	(1,344,746)	(1,487,371)	(272,840)	(4,063,292)	(622,978)
Total Revenue - Net of royalties	$ 17,951,962	$ 18,517,758	$ 6,183,575	$ 50,873,851	$ 19,318,301

Working Capital Summary

The following table summarizes the change in working capital during the nine months ended September 30, 2017 and the year ended December 31, 2016:

	2017	2016
Adjusted Working capital (deficit) - beginning of period	$ (65,005,805)	$ (60,886,556)
Funds flow from operations	35,339,022	16,263,727
Additions to property and equipment	(52,307,819)	(27,672,766)
Property Acquisition	-	(3,707,693)
Decommissioning costs incurred	(387,234)	(180,862)
Issuance of shares	1,943,984	11,218,610
Other Debt	(31,542)	(40,265)
Adjusted Working capital (deficit) - end of period	$ (80,449,394)	$ (65,005,805)
Credit facility limit	$ 100,000,000	$ 80,000,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2017 Q3	2017 Q2	2016 Q3	Nine Months Ended 2017	Nine Months Ended 2016
Land, acquisitions and lease rentals	$ 3,503,852	$ 1,726,569	$ 1,405,870	$ 6,001,336	$ 1,693,892
Cash property acquisitions	-	-	-	-	3,707,693
Drilling and completion	14,939,137	4,299,243	8,360,031	39,289,999	9,760,638
Geological and geophysical	134,283	284,010	136,404	562,085	729,538
Equipment	2,248,622	1,382,772	517,188	6,541,666	1,726,000
Other asset additions	84,631	208,438	16,579	299,967	89,706
	$ 20,910,525	$ 7,901,032	$ 10,436,072	$ 52,695,053	$ 17,707,467

Disclosure Items

The Company's financial statements, notes to the financial statements and management's discussion and analysis have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.yangarra.ca).

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

Forward looking information

Certain information regarding Yangarra set forth in this news release, including but not limited to, management's expectation on improvements to costs and productive capability for the next drilling program based on certain changes made to Yangarra's drilling and completion program, 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.

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.

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 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.