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Yangarra Announces First Quarter 2019 Financial and Operating Results

May 8, 2019

Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three months ended March 31, 2019.

First Quarter Highlights

- Average production of 11,956 boe/d (52% liquids) during the quarter, a decrease of 2% from the fourth quarter of 2018 and a 59% increase from the same period in 2018.
- Oil and gas sales were \$39.9 million, an increase of 34% from the same period in 2018.
- Funds flow from operations of \$27.7 million (\$0.32 per share – basic), an increase of 49% from the same period in 2018.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$28.1 million (\$0.33 per share - basic).
- Net income of \$11.5 million (\$0.13 per share – basic, \$16.4 million before tax), an increase of 103% from the same period in 2018.
- Operating costs were \$6.83/boe (including \$0.96/boe of transportation costs).
- Field netbacks were \$27.46/boe.
- Operating netbacks, which include the impact of commodity contracts, were \$27.62/boe.
- Operating margins were 74% and cash flow margins were 68%.
- G&A costs of \$0.32/boe.
- Royalties were 8% of oil and gas revenue.
- Total capital expenditures (including E&E) were \$59.0 million.
- Net debt (which excludes current derivative financial instruments) was \$188 million.
- Net Debt to annualized first quarter funds flow from operations was 1.70 : 1.
- Corporate LMR is 12.6 with decommissioning liabilities of \$13.3 million (discounted).

Operations Update

Production during the quarter was reduced by approximately 1,000 boe/d (75% liquids) with two wells shut in due to third party line failure and four wells on two pads shut in for a month to accommodate completions of four new wells on those pads. All production was restored during the month of April.

Yangarra installed a new compression facility in South Ferrier capable of processing an additional 25 mmcf/d with total corporate nameplate capacity of more than 100 mmcf/d. Yangarra has accumulated a sizeable land base at the Cow Lake/Cheddarville areas and expects a significant portion of its drilling budget, over the next few quarters, to be devoted to these areas now that Company owned compression capacity is available.

Lower industry activity created an environment of decreasing drilling, completion and equipping costs which together with improving commodity pricing resulted in improving full cycle returns. As a result of these conditions, Yangarra accelerated the capital program, with 9 wells drilled and 10 wells completed in Q1.

Capital expenditures in Q2 are expected to be \$13-17 million depending on when drilling operations can resume due to spring breakup. Free cash flow generated in Q2 will be directed to debt reduction. Production in Q2 will be reduced with a two week turn-around in Willesden Green in May with quarterly production projected to be 13,000-14,000 boe/d.

As part of the Custom Energy Solutions program of Energy Efficiency Alberta, Yangarra has partnered with the Alberta Energy Regulator (“AER”) to measure methane emissions company wide in Central Alberta and has initiated a program to significantly reduce those emissions.

Financial Summary

	2019		2018	
	Q1	Q4	Q1	Q1
Statements of Comprehensive Income				
Petroleum & natural gas sales	\$ 39,907	\$ 30,174	\$ 29,750	
Net income (before tax)	\$ 16,386	\$ 18,842	\$ 8,047	
Net income	\$ 11,514	\$ 13,315	\$ 5,658	
Net income per share - basic	\$ 0.13	\$ 0.16	\$ 0.07	
Net income per share - diluted	\$ 0.13	\$ 0.15	\$ 0.07	
Statements of Cash Flow				
Funds flow from operations	\$ 27,731	\$ 17,167	\$ 18,638	
Funds flow from operations per share - basic	\$ 0.32	\$ 0.20	\$ 0.22	
Funds flow from operations per share - diluted	\$ 0.32	\$ 0.20	\$ 0.22	
Cash from operating activities	\$ 22,963	\$ 25,952	\$ 14,989	
Statements of Financial Position				
Property and equipment	\$ 511,113	\$ 454,772	\$ 367,513	
Total assets	\$ 566,081	\$ 501,974	\$ 411,579	
Working capital deficit	\$ 18,699	\$ 20,775	\$ 18,845	
Net Debt (which excludes current derivative financial instruments)	\$ 188,063	\$ 155,882	\$ 108,020	
Non-Current Liabilities, excluding bank debt	\$ 70,229	\$ 60,204	\$ 47,626	
Shareholders equity	\$ 268,584	\$ 255,336	\$ 218,031	
Weighted average number of shares - basic	85,359	85,340	82,886	
Weighted average number of shares - diluted	86,772	86,981	86,336	

Company Netbacks (\$/boe)

	2019		2018	
	Q1	Q4	Q1	
Sales price	\$ 37.09	\$ 26.80	\$ 44.03	
Royalty expense	(2.79)	(3.34)	(4.15)	
Production costs	(5.87)	(5.57)	(6.40)	
Transportation costs	(0.96)	(1.31)	(1.65)	
Field operating netback	27.46	16.58	31.84	
Realized gain (loss) on commodity contract settlement	0.16	0.98	(2.25)	
Operating netback	27.62	17.56	29.59	
G&A	(0.32)	(1.01)	(0.57)	
Finance expenses	(1.97)	(1.72)	(1.29)	
Funds flow netback	25.33	14.83	27.73	
Depletion and depreciation	(8.48)	(7.61)	(10.07)	
Accretion	(0.06)	(0.06)	(0.07)	
Stock-based compensation	(1.18)	(1.37)	(1.21)	
Unrealized gain (loss) on financial instruments	(0.39)	10.94	(4.47)	
Deferred income tax	(4.53)	(4.91)	(3.54)	
Net Income netback	\$ 10.70	\$ 11.83	\$ 8.37	

Business Environment

	2019		2018	
	Q1	Q4	Q1	
Realized Pricing (Including realized commodity contracts)				
Oil (\$/bbl)	\$ 66.00	\$ 44.46	\$ 68.51	
NGL (\$/bbl)	\$ 38.21	\$ 30.91	\$ 40.50	
Gas (\$/mcf)	\$ 2.56	\$ 1.64	\$ 2.21	
Realized Pricing (Excluding commodity contracts)				
Oil (\$/bbl)	\$ 66.00	\$ 42.58	\$ 72.04	
NGL (\$/bbl)	\$ 37.18	\$ 29.73	\$ 45.24	
Gas (\$/mcf)	\$ 2.56	\$ 1.64	\$ 2.21	
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 54.90	\$ 61.05	\$ 62.87	
Edmonton Par (C\$/bbl)	\$ 66.48	\$ 42.71	\$ 72.06	
Edmonton Par to WTI differential (US\$/bbl)	\$ (4.91)	\$ (28.77)	\$ (5.87)	
Natural Gas Price Benchmarks				
AECO gas (Cdn\$/mcf)	\$ 1.94	\$ 1.59	\$ 1.85	
Foreign Exchange				
U.S./Canadian Dollar Exchange	0.75	0.76	0.79	

Operations Summary

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

	2019		2018	
	Q1	Q4	Q1	Q1
Daily production volumes				
Natural gas (mcf/d)	34,707	30,573		18,538
Oil (bbl/d)	4,343	5,111		3,352
NGL's (bbl/d)	1,829	2,032		1,066
Combined (boe/d 6:1)	11,956	12,238		7,507
Revenue				
Petroleum & natural gas sales - Gross	\$ 39,907	\$ 30,174	\$ 29,750	
Realized gain (loss) on commodity contract settlement	170	1,104	(1,522)	
Total sales	40,077	31,278	28,228	
Royalty expense	(3,003)	(3,763)	(2,801)	
Total Revenue - Net of royalties	\$ 37,074	\$ 27,516	\$ 25,426	

Working Capital Summary

The following table summarizes the change in working capital during the three months ended March 31, 2019 and the year ended December 31, 2018:

	March 31, 2019	December 31, 2018
Net Debt - beginning of period	\$ (155,951)	\$ (93,533)
Funds flow from operations	27,731	82,265
Additions to property and equipment	(58,004)	(141,060)
Decommissioning costs incurred	(578)	(333)
Additions to E&E Assets	(1,044)	(9,773)
Issuance of shares	31	6,776
Other	(248)	(293)
Net Debt - end of period	\$ (188,063)	\$ (155,951)
Credit facility limit	\$ 225,000	\$ 175,000

Capital Spending

Capital spending is summarized as follows:

	2019		2018	
Cash additions	Q1	Q4	Q1	Q4
Land, acquisitions and lease rentals	\$ 38	\$ 340	\$ 57	\$ 340
Drilling and completion	38,908	22,299	26,772	22,299
Geological and geophysical	237	412	139	412
Equipment	18,320	11,991	4,341	11,991
Other asset additions	500	214	3	214
	\$ 58,004	\$ 35,256	\$ 31,312	\$ 35,256
Exploration & evaluation assets	\$ 1,044	\$ 1,690	\$ 5,048	\$ 1,690

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.

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, 2018 and three months ended March 31, 2019 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.