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Yangarra Announces Second Quarter 2018 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 six months ended June 30, 2018.

Second Quarter Highlights

- Reached 10,000 boe/d of production at the end of the quarter.
- Average production of 7,570 boe/d (60% liquids) during the quarter an increase of 1% from the first quarter of 2018 and 33% increase from the same period in 2017.
- Oil and gas sales were $29.9 million, an increase of 53% from the same period in 2017.
- Funds flow from operations of $17.0 million ($0.20 per share - basic), an increase of 41% from the same period in 2017.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $16.6 million ($0.20 per share - basic).
- Net income of $1.6 million ($0.02 per share - basic) or $2.6 million net income before tax.
- Operating costs were $7.72/boe (including $1.31/boe of transportation costs).
- Field netbacks were $31.82 per boe.
- Operating netbacks, which include the impact of commodity contracts, were $26.64 per boe.
- Operating margins were 61% and cash flow margins were 57%.
- G&A costs of $0.56/boe.
- Royalties were 9% of oil and gas revenue.
- Total capital expenditures were $26 million.
- Commissioned the 20 mmcf/d Ferrier West facility together with the Company’s third oil treating facility.
- Net debt (which excludes current derivative financial instruments) was $115.1 million.
- Net Debt to annualized second quarter funds flow from operations was 1.69:1.
- Corporate LMR is 8.78, with decommissioning liabilities of $11.4 million (discounted).

Operations Update

Yangarra has now drilled a total of 42 bioturbated Cardium wells. IP 30 results for wells 21-30 had a 10% improvement from wells 11-20 and a 25% improvement from wells 1-10 (all wells adjusted for lateral length).

The Company resumed drilling operations in late May and drilled 5 gross/net wells in the second quarter consisting of 3 two-mile and 2 one-mile horizontal wells. The Q2 drilling program included various inter-frack spacings on pads ranging from 60-96 stages per mile which will be compared to the current standard 80 stages per mile to assist with determining optimal frack spacing.

As a result of continuously improving drilling and production results, Yangarra continues to update future drilling inventory. The Company's Cardium type curve is the weighted average of all future inventory in all areas of the Cardium portfolio. Current inventory is estimated at 913 gross (716 net) locations (1-mile wells). Based on current inventory, drilling with 2 rigs year-round other than breakup, Yangarra estimates it has 16 years (net) of future inventory. In 2018, the Company added 17 sections of Cardium land.

Budget Update

The Board of Directors approved an increase in the capital budget from $90 million to $120 million for 2018. This budget will allow the Company to continue to utilize 2 drilling rigs which optimizes drilling operations and provides economies of scale.

As the additional spending will occur in the fourth quarter, the existing guidance of 9,000 - 10,000 boe/d average production for 2018 remains unchanged.

Yangarra estimates that 22 gross (19 net) wells will be put on production during the second half of 2018, including wells drilled in the first half of 2018 but expected to be completed in the second half of 2018.

Management Changes

Yangarra has appointed Gurdeep Gill as Vice President, Business Development with responsibilities for business development and capital markets. Mr. Gill has 18 years of experience in investment banking and capital markets, most recently as the head of investment banking at AltaCorp Capital Inc. prior to that, he worked at National Bank Financial and Tristone Capital Inc.

Financial Summary

	2018 Q2	2018 Q1	2017 Q2	Six months ended 2018	Six months ended 2017
Statements of Comprehensive Income					
Petroleum & natural gas sales	$ 29,922,471	$ 29,749,716	$ 19,527,395	$ 59,672,187	$ 35,076,783
Net income (before tax)	$ 2,604,506	$ 8,046,711	$ 7,893,731	$ 10,651,217	$ 15,235,464
Net income	$ 1,646,498	$ 5,658,059	$ 5,611,218	$ 7,304,557	$ 10,827,763
Net income per share - basic	$ 0.02	$ 0.07	$ 0.07	$ 0.09	$ 0.13
Net income per share - diluted	$ 0.02	$ 0.07	$ 0.07	$ 0.08	$ 0.13
Statements of Cash Flow					
Funds flow from operations	$ 17,004,713	$ 18,637,949	$ 12,047,670	$ 35,642,663	$ 22,390,874
Funds flow from operations per share - basic	$ 0.20	$ 0.22	$ 0.15	$ 0.42	$ 0.28
Funds flow from operations per share - diluted	$ 0.19	$ 0.22	$ 0.14	$ 0.41	$ 0.27
Cash from operating activities	$ 16,288,319	$ 14,988,928	$ 9,241,194	$ 31,277,247	$ 17,851,606
Statements of Financial Position					
Property and equipment	$ 387,733,694	$367,513,370	$ 299,963,241	$ 387,733,694	$ 299,963,241
Total assets	$ 430,520,160	$411,579,250	$ 326,865,302	$ 430,520,160	$ 326,865,302
Working capital deficit	$ 18,600,280	$ 18,844,775	$ 69,864,913	$ 18,600,280	$ 69,864,913
instruments)	$ 115,118,849	$108,019,791	$ 72,674,034	$ 115,118,849	$ 72,674,034
Non-Current Liabilities, excluding bank debt	$ 51,546,663	$ 47,626,159	$ 39,580,252	$ 51,546,663	$ 39,580,252
Shareholders equity	$ 224,991,440	$218,030,997	$ 197,280,541	$ 224,991,440	$ 197,280,541
Weighted average number of shares - basic	85,019,808	82,885,794	80,555,880	83,958,696	80,264,589
Weighted average number of shares - diluted	87,782,665	86,336,165	84,065,109	86,406,125	83,388,671

Company Netbacks ($/boe)

	2018 Q2	2018 Q1	2017 Q2	Six months ended 2018	Six months ended 2017
Sales price	$ 43.43	$ 44.03	$ 37.61	$ 43.73	$ 38.02
Royalty expense	(3.90)	(4.15)	(2.86)	(4.02)	(2.95)
Production costs	(6.40)	(6.40)	(8.26)	(6.40)	(7.70)
Transportation costs	(1.31)	(1.65)	(0.73)	(1.48)	(0.82)
Field operating netback	**31.82**	**31.84**	**25.76**	**31.83**	**26.55**
Realized gain (loss) on commodity contract settlement	(5.18)	(2.25)	0.92	(3.73)	0.61
Operating netback	**26.64**	**29.59**	**26.68**	**28.10**	**27.16**
G&A	(0.56)	(0.57)	(0.92)	(0.56)	(0.74)
Finance expenses	(1.39)	(1.29)	(1.95)	(1.34)	(1.79)
Funds flow netback	**24.69**	**27.73**	**23.81**	**26.19**	**24.63**
Depletion and depreciation	(10.00)	(10.07)	(10.68)	(10.04)	(10.75)
Accretion	(0.08)	(0.07)	(0.09)	(0.07)	(0.10)
Stock-based compensation	(1.95)	(1.21)	(0.71)	(1.59)	(0.76)
Unrealized gain (loss) on financial instruments	(8.87)	(4.47)	2.88	(6.69)	3.50
Deferred income tax	(1.39)	(3.54)	(4.40)	(2.45)	(4.78)
Net Income netback	**$ 2.39**	**$ 8.37**	**$ 10.81**	**$ 5.35**	**$ 11.74**

Business Environment

	2018 Q2	2018 Q1	2017 Q2	Six months ended 2018	Six months ended 2017
Realized Pricing (Including realized commodity contracts)					
Oil ($/bbl)	$ 71.34	$ 68.51	$ 63.69	$ 69.89	$ 63.97
NGL ($/bbl)	$ 31.71	$ 40.50	$ 29.14	$ 35.56	$ 29.51
Gas ($/mcf)	$ 1.16	$ 2.21	$ 3.00	$ 1.69	$ 3.08
Realized Pricing (Excluding commodity contracts)					
Oil ($/bbl)	$ 80.03	$ 72.04	$ 62.63	$ 75.95	$ 63.39
NGL ($/bbl)	$ 40.38	$ 45.24	$ 27.85	$ 42.51	$ 28.89
Gas ($/mcf)	$ 1.16	$ 2.21	$ 2.89	$ 1.69	$ 2.97
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 67.88	$ 62.87	$ 48.29	$ 65.37	$ 50.10
Edmonton Par (C$/bbl)	$ 80.54	$ 72.06	$ 61.92	$ 76.25	$ 62.95
Edmonton Par to WTI differential (US$/bbl)	$ (5.46)	$ (5.87)	$ (2.20)	$ (5.67)	$ (2.89)
Natural Gas Price Benchmarks					
AECO gas (Cdn$/mcf)	$ 1.03	$ 1.85	$ 2.78	$ 1.44	$ 2.79
Foreign Exchange					
U.S./Canadian Dollar Exchange	$ 0.78	$ 0.79	$ 0.74	$ 0.78	$ 0.75

Operations Summary

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

	2018 Q2	2018 Q1	2017 Q2	Six months ended 2018	Six months ended 2017
Daily production volumes					
Natural gas (mcf/d)	18,336	18,538	15,586	18,436	13,315
Oil (bbl/d)	3,162	3,352	2,281	3,252	2,060
NGL's (bbl/d)	1,353	1,066	826	1,214	818
Combined (boe/d 6:1)	7,570	7,507	5,705	7,539	5,097
Revenue					
Petroleum & natural gas sales - Gross	$ 29,922,471	$ 29,749,716	$ 19,527,395	$ 59,672,187	$ 35,076,783
Realized gain (loss) on commodity contract settlement	(3,569,273)	(1,522,025)	477,734	(5,091,298)	563,652
Total sales	26,353,198	28,227,691	20,005,129	54,580,889	35,640,435
Royalty expense	(2,684,294)	(2,801,221)	(1,487,371)	(5,485,515)	(2,718,546)
Total Revenue - Net of royalties	$ 23,668,904	$ 25,426,470	$ 18,517,758	$ 49,095,374	$ 32,921,889

Working Capital Summary

The following table summarizes the change in working capital during the six months ended June 30, 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		35,642,662		52,902,650
Additions to property and equipment		(57,322,323)		(83,472,094)
Decommissioning costs incurred		-		(95,433)
Additions to E&E Assets		(6,520,031)		-
Issuance of shares		6,758,792		2,179,593
Other		(144,697)		(42,163)
Net Debt - end of period	$	(115,118,849)	$	(93,533,252)
Credit facility limit	$	150,000,000	$	120,000,000

Capital Spending

Capital spending is summarized as follows:

	2018		2017	Six months ended	
Cash additions	Q2	Q1	Q2	2018	2017
Land, acquisitions and lease rentals	$ 92,348	$ 57,142	$ 1,726,569	$ 149,490	$ 2,497,484
Drilling and completion	19,519,585	26,771,512	4,299,243	46,291,097	23,963,628
Geological and geophysical	199,680	139,091	284,010	338,771	427,802
Equipment	6,112,877	4,340,961	1,382,772	10,453,838	4,293,044
Other asset additions	85,687	3,439	208,438	89,126	215,336
	$ 26,010,177	$ 31,312,145	$ 7,901,032	$ 57,322,322	$ 31,397,294
Exploration & evaluation assets	$ 1,471,820	$ 5,048,211	$ -	$ 6,520,031	$ -

Capital spending is summarized as follows:

Total wells drilled in the half were 15 gross (13.2 net) consisting of 8 gross (7.7 net) two-mile wells and 7 gross (5.5 net) one-mile wells. The two wells drilling over year-end 2017 were completed in January 2018. The Ferrier West plant was constructed in the second quarter.

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 and six months ended June 30, 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.*

Any references in this press release to initial and/or final raw test or production rates and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter. These test results are not necessarily indicative of long-term performance or ultimate reserve recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production.

This press release discloses unbooked drilling locations. Unbooked locations are internal estimates based on the Corporation's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Corporation will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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.