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## **Yangarra Announces Third Quarter 2018 Financial and Operating Results**

**November 7, 2018**

**Yangarra Resources Ltd.** ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three and nine months ended September 30, 2018.

Yangarra continues to delineate its core, bioturbated Cardium acreage and is currently drilling bioturbated wells #54 and #55 with 30 (26.7 net) wells drilled to date in 2018. Current production is approximately 12,500 boe/d and the Company expects to drill another 6 (5 net) wells and tie-in 4 to 5 additional wells before year-end.

### Third Quarter Highlights

- Average production of 10,323 boe/d (61% liquids) during the quarter, an increase of 36% from the second quarter of 2018 and a 71% increase from the same period in 2017.
- Oil and gas sales were \$45 million, an increase of 156% from the same period in 2017.
- Funds flow from operations of \$29.5 million (\$0.35 per share - basic), an increase of 128% from the same period in 2017.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$29.4 million (\$0.35 per share - basic).
- Net income of \$12.9 million (\$0.15 per share - basic) or \$18.3 million net income before tax.
- Operating costs were \$6.35/boe (including \$1.07/boe of transportation costs).
- Field netbacks were \$36.79 per boe.
- Operating netbacks, which include the impact of commodity contracts, were \$33.15 per boe.
- Operating margins were 70% and cash flow margins were 66%.
- G&A costs of \$0.61/boe.
- Royalties were 9% of oil and gas revenue.
- Total capital expenditures were \$48 million.
- Net debt (which excludes current derivative financial instruments) was \$135.7 million.
- Net Debt to annualized third quarter funds flow from operations was 1.2 : 1.
- Corporate LMR is 10.67 with decommissioning liabilities of \$11.8 million (discounted).

## Operations Update

Yangarra drilled and completed a five well pad during the quarter that generated cost savings of over \$400k per well when compared to single well pads which provide a template for costs as the Company transitions to pad drilling.

Yangarra has undertaken an extensive infrastructure upgrade to four key gas processing facilities that includes 79 km of pipeline and installation of an additional 10,000 Horse Power (HP) of compression which will increase capacity to 90 mmcf/d. Essentially all Yangarra's gas will be processed through Company owned infrastructure once the project is complete in Q1 2019 (75% complete now).

The Company truck division has grown to 11 units with several more on order. Increased regulatory burden in Alberta has resulted in the loss of small & mid-size trucking firms in Central Alberta which has given rise to significant increases in trucking rates. The Company internal rate for trucking is approximately 35% lower than commercial rates.

In addition, the Company has a full complement of company staffed crew trucks, pressure trucks and mechanical services which provide significant savings to operating costs.

The Company power requirements are internally generated by lease fuel fired generators or primary drivers which provide significant cost savings over grid supplied power.

## Budget Update

The Board of Directors approved an increase in the capital budget from \$120 million to \$140 million for 2018. This revised budget includes \$120 million for drilling 36 (31.7 net wells) and \$20 million of infrastructure and land acquisition. The Company has run two rigs for the entire year, with a shorter than usual spring break-up period.

## Financial Summary

	2018		2017	Nine months ended	
	Q3	Q2	Q3	2018	2017
<b>Statements of Comprehensive Income</b>					
Petroleum & natural gas sales	\$ 45,131,784	\$ 29,922,471	\$ 17,663,925	\$ 104,803,971	\$ 52,740,708
Net income (before tax)	\$ 18,301,586	\$ 2,604,506	\$ 5,511,977	\$ 28,952,803	\$ 20,747,441
Net income	\$ 12,946,733	\$ 1,646,498	\$ 3,975,606	\$ 20,251,290	\$ 14,803,369
Net income per share - basic	\$ 0.15	\$ 0.02	\$ 0.05	\$ 0.24	\$ 0.18
Net income per share - diluted	\$ 0.15	\$ 0.02	\$ 0.05	\$ 0.23	\$ 0.18
<b>Statements of Cash Flow</b>					
Funds flow from operations	\$ 29,524,289	\$ 17,004,713	\$ 12,948,149	\$ 65,166,952	\$ 35,339,023
Funds flow from operations per share - basic	\$ 0.35	\$ 0.20	\$ 0.16	\$ 0.77	\$ 0.44
Funds flow from operations per share - diluted	\$ 0.34	\$ 0.19	\$ 0.15	\$ 0.75	\$ 0.42
Cash from operating activities	\$ 26,538,939	\$ 16,288,319	\$ 13,381,396	\$ 57,816,186	\$ 31,233,002
<b>Statements of Financial Position</b>					
Property and equipment	\$ 426,744,949	\$ 387,733,694	\$ 315,064,829	\$ 426,744,949	\$ 315,064,829
Total assets	\$ 479,396,785	\$ 430,520,160	\$ 342,983,774	\$ 479,396,785	\$ 342,983,774
Working capital deficit	\$ 23,528,470	\$ 18,600,280	\$ 79,069,633	\$ 23,528,470	\$ 79,069,633
Net Debt (which excludes current derivative financial instruments)	\$ 135,712,402	\$ 115,118,849	\$ 80,449,394	\$ 135,712,402	\$ 80,449,394
Non-Current Liabilities, excluding bank debt	\$ 58,467,174	\$ 51,546,663	\$ 40,523,942	\$ 58,467,174	\$ 40,523,942
Shareholders equity	\$ 239,945,953	\$ 224,991,440	\$ 202,437,802	\$ 239,945,953	\$ 202,437,802
Weighted average number of shares - basic	85,330,893	85,019,808	81,033,965	84,421,121	80,523,866
Weighted average number of shares - diluted	87,613,710	87,782,665	84,772,793	86,783,199	83,692,914

## Company Netbacks (\$/boe)

	2018		2017	Nine months ended	
	Q3	Q2	Q3	2018	2017
Sales price	\$ 47.52	\$ 43.43	\$ 31.87	\$ 45.29	\$ 35.71
Royalty expense	(4.38)	(3.90)	(2.43)	(4.17)	(2.75)
Production costs	(5.28)	(6.40)	(5.41)	(5.94)	(6.84)
Transportation costs	(1.07)	(1.31)	(1.45)	(1.31)	(1.06)
<b>Field operating netback</b>	<b>36.79</b>	<b>31.82</b>	<b>22.58</b>	<b>33.87</b>	<b>25.06</b>
Realized gain (loss) on commodity contract settlement	(3.65)	(5.18)	2.95	(3.70)	1.49
<b>Operating netback</b>	<b>33.15</b>	<b>26.64</b>	<b>25.53</b>	<b>30.17</b>	<b>26.55</b>
G&A	(0.61)	(0.56)	(0.74)	(0.58)	(0.74)
Finance expenses	(1.30)	(1.39)	(0.71)	(1.32)	(1.39)
<b>Funds flow netback</b>	<b>31.24</b>	<b>24.69</b>	<b>24.07</b>	<b>28.26</b>	<b>24.42</b>
Depletion and depreciation	(10.09)	(10.00)	(10.95)	(10.06)	(10.83)
Asset Impairment	(0.85)	-	-	(0.35)	-
Accretion	(0.06)	(0.08)	(0.08)	(0.07)	(0.09)
Stock-based compensation	(1.59)	(1.95)	(0.71)	(1.59)	(0.74)
Unrealized gain (loss) on financial instruments	0.62	(8.87)	(2.39)	(3.69)	1.29
Deferred income tax	(5.64)	(1.39)	(2.77)	(3.76)	(4.02)
<b>Net Income netback</b>	<b>\$ 13.63</b>	<b>\$ 2.39</b>	<b>\$ 7.17</b>	<b>\$ 8.75</b>	<b>\$ 10.02</b>

## Business Environment

	2018		2017	Nine months ended	
	Q3	Q2	Q3	2018	2017
<b>Realized Pricing (Including realized commodity contracts)</b>					
Oil (\$/bbl)	\$ 74.84	\$ 71.34	\$ 60.41	\$ 72.02	\$ 62.66
NGL (\$/bbl)	\$ 40.05	\$ 31.71	\$ 37.52	\$ 37.23	\$ 32.51
Gas (\$/mcf)	\$ 1.38	\$ 1.16	\$ 1.88	\$ 1.56	\$ 2.62
<b>Realized Pricing (Excluding commodity contracts)</b>					
Oil (\$/bbl)	\$ 82.54	\$ 80.03	\$ 56.51	\$ 78.79	\$ 60.85
NGL (\$/bbl)	\$ 41.76	\$ 40.38	\$ 33.39	\$ 42.23	\$ 30.58
Gas (\$/mcf)	\$ 1.30	\$ 1.16	\$ 1.60	\$ 1.53	\$ 2.45
<b>Oil Price Benchmarks</b>					
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 69.50	\$ 67.88	\$ 48.20	\$ 66.75	\$ 49.45
Edmonton Par (C\$/bbl)	\$ 81.92	\$ 80.54	\$ 57.05	\$ 78.19	\$ 61.20
Edmonton Par to WTI differential (US\$/bbl)	\$ (6.83)	\$ (5.46)	\$ (2.56)	\$ (6.00)	\$ (2.61)
<b>Natural Gas Price Benchmarks</b>					
AECO gas (Cdn\$/mcf)	\$ 1.19	\$ 1.03	\$ 1.45	\$ 1.48	\$ 2.30
<b>Foreign Exchange</b>					
U.S./Canadian Dollar Exchange	0.77	0.78	0.80	0.78	0.77

## Operations Summary

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

	2018		2017	Nine months ended	
	Q3	Q2	Q3	2018	2017
<b>Daily production volumes</b>					
Natural gas (mcf/d)	24,378	18,336	16,142	20,439	14,260
Oil (bbl/d)	4,853	3,162	2,380	3,789	2,165
NGL's (bbl/d)	1,406	1,353	955	1,282	866
Combined (boe/d 6:1)	10,323	7,570	6,025	8,477	5,408
<b>Revenue</b>					
Petroleum & natural gas sales - Gross	\$ 45,131,784	\$ 29,922,471	\$ 17,663,925	\$ 104,803,971	\$ 52,740,708
Realized gain (loss) on commodity contract settlement	(3,462,012)	(3,569,273)	1,632,783	(8,553,310)	2,196,435
Total sales	41,669,772	26,353,198	19,296,708	96,250,661	54,937,143
Royalty expense	(4,156,841)	(2,684,294)	(1,344,746)	(9,642,356)	(4,063,292)
Total Revenue - Net of royalties	\$ 37,512,931	\$ 23,668,904	\$ 17,951,962	\$ 86,608,305	\$ 50,873,851

## Working Capital Summary

The following table summarizes the change in working capital during the nine months ended September 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		65,166,951		52,902,650
Additions to property and equipment		(105,803,667)		(83,472,094)
Decommissioning costs incurred		-		(95,433)
Additions to E&E Assets		(8,082,910)		-
Issuance of shares		6,758,792		2,179,593
Other		(218,316)		(42,163)
Net Debt - end of period	\$	(135,712,402)	\$	(93,533,252)
Credit facility limit	\$	150,000,000	\$	120,000,000

Subsequent to September 30, 2018 the maximum amount available under the syndicated credit facility was increased to \$175 million.

## Capital Spending

Capital spending is summarized as follows:

	2018		2017	Nine months ended	
	Q3	Q2	Q3	2018	2017
<b>Cash additions</b>					
Land, acquisitions and lease rentals	\$ 79,477	\$ 92,348	\$ 3,503,852	\$ 228,967	\$ 6,001,336
Drilling and completion	38,264,772	19,519,585	14,939,137	84,555,869	39,289,999
Geological and geophysical	163,002	199,680	134,283	501,773	562,085
Equipment	9,892,565	6,112,877	2,248,622	20,346,403	6,541,666
Other asset additions	81,528	85,687	84,631	170,654	299,967
	\$ 48,481,344	\$ 26,010,177	\$ 20,910,525	\$ 105,803,666	\$ 52,695,053
Exploration & evaluation assets	\$ 1,562,879	\$ 1,471,820	\$ -	\$ 8,082,910	\$ -

## **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 nine months ended September 30, 2018 have been 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.*

### ***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.