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Yangarra Announces Third Quarter 2019 Financial and Operating Results

October 30, 2019

Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the three and nine months ended September 30, 2019.

Third Quarter Highlights

- Average production of 12,724 boe/d (46% liquids) during the quarter, a decrease of 2% from the second quarter of 2019 and a 23% increase from the same period in 2018.
- Oil and gas sales were $31.6 million, a decrease of 30% from the same period in 2018, due to a 43% reduction in the sales price.
- Funds flow from operations of $19.1 million ($0.22 per share – basic), a decrease of 35% from the same period in 2018.
- Adjusted EBITDA was $20.4 million ($0.24 per share - basic).
- Net income of $6.6 million ($0.08 per share – basic, $8.8 million before tax), a decrease of 49% from the same period in 2018 and represents the 11th consecutive quarter of net income.
- Return on capital employed ("ROCE") (12 months trailing) of 13%.
- Return on equity ("ROE") (12 months trailing) of 17%.
- Operating costs were $6.97/boe (including $1.46/boe of transportation costs).
- Field operating netbacks were $18.24/boe.
- Operating netbacks, which include the impact of commodity contracts, were $18.58/boe.
- Operating margins were 69% and funds flow from operations margins were 60%.
- G&A costs of $0.59/boe.
- Royalties were 7% of oil and gas revenue.
- Capital expenditures (including $3.2 million of land) were $26.6 million.
- Adjusted net debt was $185.8 million.
- Adjusted net debt to annualized current quarter funds flow from operations was 2.4 : 1.
- Subsequent to September 30, 2019, the borrowing base review was completed and remains at $225 million.
- Retained earnings of $96.8 million as at September 30, 2019.
- Corporate LMR is 13.17 with decommissioning liabilities of $14.6 million (discounted).

Operations Update

The Company drilled 3 wells and completed 5 wells during the quarter, with 2 wells drilled but not completed at the end of the third quarter. As a result of issues with a third-party contractor, production adds in the third quarter were delayed and capital costs were higher than expected.

The Board of Directors has approved an increase in the capital budget by $10 million ($110 million total for 2019). The additional spending will be used to drill 2 wells and complete 4 wells in the fourth quarter.

The Company completed a statistical analysis of its bioturbated Cardium wells drilled to date to determine the impact of a variety of factors. Completion programs have been altered on the last 5 wells based on the analysis with positive results observed.

Yangarra has continued to take advantage of lower industry capital programs to consolidate working interest ownerships and acquire additional Crown land at compelling valuations.

2020 Capital Budget & Guidance

The Company's Board of Directors has approved a capital budget of $120 million for 2020 predicated on an average price of CDN$66.50/bbl for Edmonton par and of CDN$2.00/GJ for AECO natural gas. The budget is expected to increase the Company's annual 2020 production to 14,000 – 15,000 boe/d and be cash flow neutral.

Normal-Course Issuer Bid ("NCIB")

The Board of Directors have approved the implementation of a NCIB to opportunistically repurchase shares of the Company if the sell-off in energy stocks continues, to enhance Yangarra's per share metrics. Any purchases made under the NCIB will be completed in the context of Yangarra's full-cycle rate of return focus.

Financial Summary

	2019		2018	Nine months ended	
	Q3	Q2	Q3	2019	2018
Statements of Comprehensive Income					
Petroleum & natural gas sales	$ 31,606	$ 36,473	$ 45,132	$ 107,986	$ 104,804
Net income (before tax)	$ 8,754	$ 13,433	$ 18,302	$ 38,573	$ 28,953
Net income	$ 6,560	$ 18,219	$ 12,947	$ 36,293	$ 20,251
Net income per share - basic	$ 0.08	$ 0.21	$ 0.15	$ 0.43	$ 0.24
Net income per share - diluted	$ 0.08	$ 0.21	$ 0.15	$ 0.42	$ 0.23
Statements of Cash Flow					
Funds flow from operations	$ 19,055	$ 24,445	$ 29,524	$ 71,231	$ 65,167
Funds flow from operations per share - basic	$ 0.22	$ 0.29	$ 0.35	$ 0.83	$ 0.77
Funds flow from operations per share - diluted	$ 0.22	$ 0.28	$ 0.34	$ 0.82	$ 0.75
Cash from operating activities	$ 10,768	$ 22,005	$ 26,539	$ 55,736	$ 57,816
Statements of Financial Position					
Property and equipment	$ 530,389	$ 515,730	$ 426,745	$ 530,389	$ 426,745
Total assets	$ 581,426	$ 561,986	$ 479,397	$ 581,426	$ 479,397
Working capital deficit (surplus)	$ (2,947)	$ 6,672	$ 23,528	$ (2,947)	$ 23,529
Adjusted Net Debt	$ 185,752	$ 177,821	$ 135,712	$ 185,752	$ 135,712
Shareholders equity	$ 295,645	$ 288,027	$ 239,946	$ 295,645	$ 239,946
Weighted average number of shares - basic	85,363	85,363	85,331	85,362	84,421
Weighted average number of shares - diluted	85,936	86,680	87,614	86,518	86,783

Company Netbacks ($/boe)

	2019 Q3	2019 Q2	2018 Q3	Nine months ended 2019	Nine months ended 2018
Sales price	$ 27.00	$ 30.76	$ 47.52	$ 31.46	$ 45.29
Royalty expense	(1.79)	(2.35)	(4.38)	(2.30)	(4.17)
Production costs	(5.51)	(5.50)	(5.28)	(5.62)	(5.94)
Transportation costs	(1.46)	(0.79)	(1.07)	(1.07)	(1.31)
Field operating netback	**18.24**	**22.12**	**36.79**	**22.47**	**33.87**
Realized gain (loss) on commodity contract settlement	0.34	0.22	(3.65)	0.24	(3.70)
Operating netback	**18.58**	**22.34**	**33.15**	**22.71**	**30.17**
G&A	(0.59)	(0.50)	(0.61)	(0.47)	(0.58)
Finance expenses	(1.75)	(1.49)	(1.30)	(1.73)	(1.32)
Depletion and depreciation	(8.15)	(8.53)	(10.09)	(8.39)	(10.06)
Asset Impairment	-	-	(0.85)	-	(0.35)
Accretion	(0.04)	(0.05)	(0.06)	(0.05)	(0.07)
Stock-based compensation	(0.66)	(0.75)	(1.59)	(0.85)	(1.59)
Unrealized gain (loss) on financial instruments	0.08	0.32	0.62	0.02	(3.69)
Deferred income tax	(1.87)	4.04	(5.64)	(0.66)	(3.76)
Net Income netback	**$ 5.60**	**$ 15.38**	**$ 13.63**	**$ 10.57**	**$ 8.75**

Business Environment

	2019 Q3	2019 Q2	2018 Q3	Nine months ended 2019	Nine months ended 2018
Realized Pricing (Including realized commodity contracts)					
Oil ($/bbl)	$ 69.83	$ 73.77	$ 74.84	$ 69.81	$ 72.02
NGL ($/bbl)	$ 22.78	$ 24.20	$ 40.05	$ 27.82	$ 37.23
Gas ($/mcf)	$ 1.06	$ 1.24	$ 1.38	$ 1.56	$ 1.56
Realized Pricing (Excluding commodity contracts)					
Oil ($/bbl)	$ 69.83	$ 73.77	$ 82.54	$ 69.81	$ 78.79
NGL ($/bbl)	$ 20.85	$ 22.80	$ 41.76	$ 26.33	$ 42.23
Gas ($/mcf)	$ 1.06	$ 1.24	$ 1.30	$ 1.56	$ 1.53
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 56.43	$ 59.56	$ 69.50	$ 56.99	$ 66.75
Edmonton Par (C$/bbl)	$ 69.48	$ 73.73	$ 81.92	$ 70.31	$ 78.19
Edmonton Par to WTI differential (US$/bbl)	$ (3.63)	$ (4.44)	$ (6.83)	$ (4.26)	$ (6.00)
Natural Gas Price Benchmarks					
AECO gas (Cdn$/mcf)	$ 0.90	$ 1.04	$ 1.19	$ 1.55	$ 1.48
Foreign Exchange					
U.S./Canadian Dollar Exchange	0.76	0.75	0.77	0.75	0.78

Operations Summary

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

	2019 Q3	2019 Q2	2018 Q3	Nine months ended 2019	Nine months ended 2018
Daily production volumes					
Natural gas (mcf/d)	41,068	41,304	24,378	39,049	20,439
Oil (bbl/d)	3,627	4,116	4,853	4,020	3,789
NGL's (bbl/d)	2,253	2,032	1,406	2,045	1,282
Combined (boe/d 6:1)	12,724	13,032	10,323	12,574	8,477
Revenue					
Petroleum & natural gas sales - Gross	$ 31,606	$ 36,473	$ 45,132	$ 107,986	$ 104,804
Realized gain (loss) on commodity contract settlement	402	260	(3,462)	832	(8,553)
Total sales	32,008	36,733	41,670	108,818	96,251
Royalty expense	(2,093)	(2,785)	(4,157)	(7,881)	(9,642)
Total Revenue - Net of royalties	$ 29,915	$ 33,948	$ 37,513	$ 100,937	$ 86,609

Working Capital Summary

The following table summarizes the change in working capital during the nine months ended September 30, 2019 and the year ended December 31, 2018:

	Nine months ended September 30, 2019	Year ended December 31, 2018
Adjusted Net Debt - beginning of period	$ (155,882)	$ (93,533)
Funds flow from operations	71,231	82,334
Additions to property and equipment	(94,223)	(141,060)
Decommissioning costs incurred	(578)	(333)
Additions to E&E Assets	(5,243)	(9,773)
Issuance of shares	31	6,776
Other	(1,088)	(293)
Adjusted Net Debt - end of period	$ (185,752)	$ (155,882)
Credit facility limit	$ 225,000	$ 175,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2019 Q3	2019 Q2	2018 Q3	Nine months ended 2019	Nine months ended 2018
Land, acquisitions and lease rentals	$ 170	$ 98	$ 79	$ 306	$ 229
Drilling and completion	18,194	8,960	38,265	66,063	84,556
Geological and geophysical	148	209	163	594	502
Equipment	4,807	3,346	9,893	26,474	20,346
Other asset additions	104	182	82	786	171
	$ 23,423	$ 12,794	$ 48,482	$ 94,223	$ 105,804
Exploration & evaluation assets	$ 3,180	$ 1,019	$ 1,563	$ 5,243	$ 8,083

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 and nine months ended September 30, 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.

Please refer to the management discussion and analysis for the nine month period ended September 30, 2019 for Non-GAAP financial measure reconciliation tables.

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.