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Yangarra Announces 2019 Year End Financial and Operating Results

March 5, 2020

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

2019 Highlights

- Average Production of 12,572 boe/d (47% liquids) an increase of 33% from 2018
- Oil and gas sales were $145 million with funds flow from operations of $92 million ($1.08 per share - basic)
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $95 million ($1.12 per share - basic), with adjusted EBITDA margins of 66%
- Net income of $43 million ($0.51 per share - basic) or $48 million before tax, resulting in a net income margin of 30%
- Return on capital employed ("ROCE") of 10%
- Return on equity ("ROE") of 14%
- Operating costs were $6.85/boe (including $1.08/boe of transportation costs)
- Operating netbacks, which include the impact of commodity contracts, were $22.43 per boe
- Operating margins were 71% and funds flow margins were 64%
- G&A costs of $0.65/boe
- Royalties were 7% of oil and gas revenue
- Capital expenditures (including $6 million of land) were $120 million
- Net debt (which excludes the current derivative financial instruments) was $188 million
- Net Debt to funds flow from operations was 2.0 : 1
- Retained earnings of $104 million
- Corporate LMR is 11.92 with decommissioning liabilities of $15 million (discounted)
- Proved Developed Producing ("PDP") reserves increased by 9%, F&D costs were $18.10/boe, the PDP recycle ratio was 1.2x and additions replaced 146% of 2019 production
- Total Proved reserves increased by 13%, F&D costs were $10.74/boe, the Total Proved recycle ratio was 2.1x and additions replaced 320% of 2019 production
- Proved plus Probable ("P+P") reserves increased by 15%, F&D costs were $6.86/boe, the P+P recycle ratio was 3.3x and additions replaced 522% of 2019 production

Fourth Quarter Highlights

- Average production of 12,568 boe/d (45% liquids) during the quarter, a decrease of 1% from the third quarter of 2019 and a 2% increase from the same period in 2018
- Oil and gas sales were $36 million, an increase of 19% from the same period in 2018
- Funds flow from operations of $21 million ($0.25 per share – basic), an increase of 22% from the same period in 2018
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $21 million ($0.25 per share - basic)
- Net income of $7 million ($0.09 per share – basic, $9 million before tax), a decrease of 47% from the same period in 2018 and represents the 12th consecutive quarter of net income
- Operating costs were $7.30/boe (including $1.11/boe of transportation costs)
- Field operating netbacks were $21.34/boe
- Operating netbacks, which include the impact of commodity contracts, were $21.59/boe
- Operating margins were 69% and funds flow from operations margins were 58%
- G&A costs of $1.17/boe
- Royalties were 8% of oil and gas revenue
- Capital expenditures (including $0.5 million on land) were $21 million
- Net Debt to fourth quarter annualized funds flow from operations was 2.2 : 1

Operations Update

Yangarra has drilled six wells and completed five wells in the first quarter of 2020 leaving four wells drilled and uncompleted at the end of the quarter. Yangarra elected to reduce first quarter activity as per the Company's strategy of reducing capital spending when commodity pricing falls below internal thresholds for rates of return.

Yangarra's drilling in the first quarter was focused on Chedderville, as that area currently generates the best rates of return and scale in the Company's portfolio. In addition, the Company has unused processing capacity along with several years of future drilling locations.

The Company continues to refine drilling and completion techniques to optimize best practices and returns as affirmed by the improvements in the latest well results.

ESG Update

Yangarra has partnered with CleaResult within the Energy Efficiency Alberta program to find opportunities to increase energy efficiency while reducing greenhouse gas emissions. Carbon dioxide equivalent emissions were estimated to be 98,629 tonnes in 2019 and a plan has been formulated to significantly reduce the methane portion of these emissions over the next 3 years.

2020 Capital Budget & Guidance

The capital budget and guidance have not formally changed. However, first quarter capital spending and production will be lower than originally forecast due to Yangarra's response to lower commodity pricing. As demonstrated in the last three quarters, the Company remains committed to being cash flow neutral therefore 2020 capital spending will be dependent upon commodity prices.

The Company's producing portfolio consists of 12 legacy vertical wells, and 143 horizontal wells. One of the advantages of this portfolio composition, when combined with less than 40 suspended wells, is a low Asset Retirement Obligation ("ARO"). However, the Company's high-rate horizontal production rates can dramatically affect quarterly and annual production rates depending on the timing of when new wells are brought on production. This increases forecasting risk when combined with the Company's extensive partially developed pad inventory where existing wells are shut in to accommodate new wells on a pad.

The Company's strategy of living within funds flow, which limit's spending during depressed commodity prices and accelerates spending in higher commodity pricing causes short-term production numbers to be volatile. Yangarra's focus on full cycle rates of returns ensures the Company will not destroy capital returns to chase short-term growth.

Normal-Course Issuer Bid ("NCIB")

No purchases of stock under the NCIB plan have occurred to date and any future purchases made under the NCIB will continue to be evaluated in the context of Yangarra's full-cycle rate of return focus.

Financial Summary

	2019 Q4	2019 Q3	2018 Q4	Year Ended 2019	Year Ended 2018
Statements of Comprehensive Income					
Petroleum & natural gas sales	$ 35,990	$ 31,606	$ 30,174	$ 143,976	$ 134,978
Net income (before tax)	$ 9,405	$ 8,754	$ 18,842	$ 47,978	$ 47,795
Net income	$ 7,020	$ 6,560	$ 13,315	$ 43,313	$ 33,566
Net income per share - basic	$ 0.08	$ 0.08	$ 0.16	$ 0.51	$ 0.40
Net income per share - diluted	$ 0.08	$ 0.08	$ 0.15	$ 0.51	$ 0.39
Statements of Cash Flow					
Funds flow from operations	$ 21,005	$ 19,055	$ 17,167	$ 92,236	$ 82,335
Funds flow from operations per share - basic	$ 0.25	$ 0.22	$ 0.20	$ 1.08	$ 0.97
Funds flow from operations per share - diluted	$ 0.25	$ 0.22	$ 0.20	$ 1.08	$ 0.95
Cash from operating activities	$ 25,469	$ 10,768	$ 25,952	$ 81,205	$ 83,768
Statements of Financial Position					
Property and equipment	$ 541,799	$ 530,389	$ 454,772	$ 541,799	$ 454,772
Total assets	$ 592,195	$ 581,426	$ 501,974	$ 592,195	$ 501,974
Working capital deficit (surplus)	$ (906)	$ (2,947)	$ 20,775	$ (906)	$ 20,775
Adjusted Net Debt	$ 187,712	$ 185,752	$ 155,882	$ 187,712	$ 155,882
Shareholders equity	$ 303,643	$ 295,645	$ 255,336	$ 303,643	$ 255,336
Weighted average number of shares - basic	85,370	85,363	85,340	85,364	84,653
Weighted average number of shares - diluted	85,708	85,936	86,981	85,701	86,860

Company Netbacks ($/boe)

	2019 Q4	2019 Q3	2018 Q4	Year Ended 2019	Year Ended 2018
Sales price	$ 31.13	$ 27.00	$ 26.80	$ 31.37	$ 39.24
Royalty expense	(2.49)	(1.79)	(3.34)	(2.34)	(3.90)
Production costs	(6.19)	(5.51)	(5.57)	(5.76)	(5.82)
Transportation costs	(1.11)	(1.46)	(1.31)	(1.08)	(1.31)
Field operating netback	**21.34**	**18.24**	**16.58**	**22.19**	**28.21**
Realized gain (loss) on commodity contract settlement	0.25	0.34	0.98	0.24	(2.17)
Operating netback	**21.59**	**18.58**	**17.56**	**22.43**	**26.04**
G&A	(1.17)	(0.59)	(1.01)	(0.65)	(0.72)
Finance expenses	(1.53)	(1.75)	(1.72)	(1.68)	(1.45)
Depletion and depreciation	(8.33)	(8.15)	(7.61)	(8.37)	(9.26)
Asset Impairment	-	-	-	-	(0.23)
Accretion	(0.04)	(0.04)	(0.06)	(0.05)	(0.07)
Abandonment Expenses	(0.75)	-	-	(0.19)	-
Provision for Credit Losses	(0.57)	-	-	(0.14)	-
Stock-based compensation	(0.61)	(0.66)	(1.37)	(0.79)	(1.52)
Unrealized gain (loss) on financial instruments	(0.44)	0.08	10.94	(0.10)	1.10
Deferred income tax	(2.06)	(1.87)	(4.91)	(1.02)	(4.14)
Net Income netback	**$ 6.09**	**$ 5.60**	**$ 11.82**	**$ 9.44**	**$ 9.76**

Business Environment

	2019 Q4	2019 Q3	2018 Q4	Year Ended 2019	Year Ended 2018
Realized Pricing (Including realized commodity contracts)					
Oil ($/bbl)	$ 67.06	$ 69.83	$ 44.46	$ 69.46	$ 63.42
NGL ($/bbl)	$ 19.65	$ 22.78	$ 30.91	$ 25.83	$ 35.03
Gas ($/mcf)	$ 2.48	$ 1.06	$ 1.64	$ 1.80	$ 1.59
Realized Pricing (Excluding commodity contracts)					
Oil ($/bbl)	$ 67.06	$ 69.83	$ 42.58	$ 69.46	$ 67.48
NGL ($/bbl)	$ 18.03	$ 20.85	$ 29.73	$ 24.31	$ 37.87
Gas ($/mcf)	$ 2.48	$ 1.06	$ 1.64	$ 1.80	$ 1.57
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 56.95	$ 56.43	$ 61.05	$ 57.03	$ 64.98
Edmonton Par (C$/bbl)	$ 68.05	$ 69.48	$ 42.71	$ 69.16	$ 69.35
Edmonton Par to WTI differential (US$/bbl)	$ (5.40)	$ (3.63)	$ (28.77)	$ (4.90)	$ (11.48)
Natural Gas Price Benchmarks					
AECO gas (Cdn$/mcf)	$ 2.48	$ 0.90	$ 1.59	$ 1.71	$ 1.51
Foreign Exchange					
U.S./Canadian Dollar Exchange	0.76	0.76	0.76	0.75	0.77

Operations Summary

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

	2019 Q4	2019 Q3	2018 Q4	Year Ended 2019	Year Ended 2018
Daily production volumes					
Natural gas (mcf/d)	41,483	41,068	30,573	39,663	22,993
Oil (bbl/d)	3,712	3,627	5,111	3,941	4,120
NGL's (bbl/d)	1,942	2,253	2,032	2,020	1,473
Combined (boe/d 6:1)	12,568	12,724	12,238	12,572	9,425
Revenue					
Petroleum & natural gas sales - Gross	$ 35,990	$ 31,606	$ 30,174	$ 143,976	$ 134,978
Realized gain (loss) on commodity contract settlement	290	402	1,104	1,122	(7,449)
Total sales	36,280	32,008	31,278	145,098	127,529
Royalty expense	(2,879)	(2,093)	(3,763)	(10,760)	(13,405)
Total Revenue - Net of royalties	$ 33,401	$ 29,915	$ 27,515	$ 134,338	$ 114,124

Working Capital Summary

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

		Year ended December 31, 2019		Year ended December 31, 2018
Adjusted Net Debt - beginning of period	$	(155,882)	$	(93,533)
Funds flow from operations		92,235		82,334
Additions to property and equipment		(115,276)		(141,060)
Decommissioning costs incurred		(966)		(333)
Additions to E&E Assets		(5,723)		(9,773)
Issuance of shares		41		6,776
Other		(2,141)		(293)
Adjusted Net Debt - end of period	$	(187,712)	$	(155,882)
Credit facility limit	$	225,000	$	175,000

Capital Spending

Capital spending is summarized as follows:

	2019		2018	Year Ended	
Cash additions	Q4	Q3	Q4	2019	2018
Land, acquisitions and lease rentals	$ 38	$ 170	$ 340	$ 344	$ 569
Drilling and completion	16,997	18,194	22,299	83,060	106,855
Geological and geophysical	447	148	412	1,041	913
Equipment	2,503	4,807	11,991	28,977	32,337
Other asset additions	193	104	214	979	385
	$ 20,178	$ 23,423	$ 35,256	$ 114,401	$ 141,060
Exploration & evaluation assets	$ 480	$ 3,180	$ 1,690	$ 5,723	$ 9,773

Annual General Meeting of Shareholders

The Company’s Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday April 30, 2020 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

Year End Disclosure

The Company's financial statements, notes to the financial statements, management’s discussion and analysis and annual information form will be 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.