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Yangarra Announces 2020 Third Quarter Financial and Operating Results

October 29, 2020

Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three and nine months ended September 30, 2020.

Third Quarter Highlights

- Average production of 8,409 boe/d (46% liquids) during the quarter, a 34% decrease from the same period in 2019
- Oil and gas sales were \$18.9 million, a decrease of 40% from the same period in 2019
- Funds flow from operations of \$10.0 million (\$0.12 per share – basic), a decrease of 47% from the same period in 2019
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$12.5 million (\$0.15 per share - basic)
- Net income of \$0.5 million (\$0.01 per share – basic, \$0.7 million before tax), a decrease of 92% from the same period in 2019
- Operating costs were \$6.10/boe (including \$1.28/boe of transportation costs)
- Field operating netbacks were \$17.08/boe
- Operating netbacks, which include the impact of commodity contracts, were \$16.67/boe
- Operating margins were 68% and funds flow from operations margins were 53%
- G&A costs of \$0.28/boe
- Royalties were 5% of oil and gas revenue
- All in cash costs were \$11.06/boe
- Capital expenditures were \$10.0 million
- Net Debt of \$193.9 million
- Net Debt to third quarter annualized funds flow from operations was 4.8 : 1
- Retained earnings of \$104 million
- Corporate LMR is 9.0 with decommissioning liabilities of \$16.5 million (discounted)

Operations & Capital Update

Yangarra has reduced drilling and completions costs by 20-25% as compared to pre COVID-19 wells as a result of the addition of a construction division, revised well designs, water handling improvements and a variety of other structural cost saving initiatives. This will allow the Company to achieve rates of return above internal thresholds on new wells with oil below US\$40 WTI.

With capital efficiencies improving materially, the strengthening of natural gas prices and more stability in oil prices, Yangarra elected to complete four previously drilled wells and drill one additional well for the third quarter. For the next two quarters, Yangarra will match its capital budget to cash flow.

Approximately 2,500 boe/d (52% liquids) was shut-in for six weeks due to third-party infrastructure turnarounds and for completions activity. All the shut-in production together with four completed wells was brought on by the end of the quarter.

Financial Summary

	2020		2019	Nine Months Ended	
	Q3	Q2	Q3	2020	2019
Statements of Comprehensive Income					
Petroleum & natural gas sales	\$ 18,910	\$ 16,290	\$ 31,606	\$ 62,635	\$ 107,986
Net income (loss) (before tax)	\$ 691	\$ (2,933)	\$ 8,754	\$ 1,635	\$ 38,573
Net income (loss)	\$ 537	\$ (2,801)	\$ 6,560	\$ 571	\$ 36,293
Net income (loss) per share - basic	\$ 0.01	\$ (0.03)	\$ 0.08	\$ 0.01	\$ 0.43
Net income (loss) per share - diluted	\$ 0.01	\$ (0.03)	\$ 0.08	\$ 0.01	\$ 0.42
Statements of Cash Flow					
Funds flow from operations	\$ 10,038	\$ 7,733	\$ 19,055	\$ 33,064	\$ 71,231
Funds flow from operations per share - basic	\$ 0.12	\$ 0.09	\$ 0.22	\$ 0.39	\$ 0.83
Funds flow from operations per share - diluted	\$ 0.12	\$ 0.09	\$ 0.22	\$ 0.39	\$ 0.82
Cash from operating activities	\$ 7,411	\$ 1,544	\$ 10,768	\$ 24,680	\$ 55,735
Statements of Financial Position					
Property and equipment	\$ 557,827	\$ 554,479	\$ 530,389	\$ 557,827	\$ 530,389
Total assets	\$ 603,817	\$ 604,105	\$ 581,426	\$ 603,817	\$ 581,426
Working capital deficit (surplus)	\$ (6,622)	\$ (2,181)	\$ (2,947)	\$ (6,622)	\$ (2,947)
Adjusted Net Debt	\$ 193,878	\$ 192,067	\$ 185,752	\$ 193,878	\$ 185,752
Shareholders equity	\$ 307,322	\$ 306,638	\$ 295,645	\$ 307,322	\$ 295,645
Weighted average number of shares - basic	85,380	85,380	85,363	85,380	85,362
Weighted average number of shares - diluted	85,677	85,380	85,936	85,758	86,518

Company Netbacks (\$/boe)

	2020			2019		Nine Months Ended	
	Q3	Q2	Q3	Q3	2020	2019	
Sales price	\$ 24.44	\$ 18.13	\$ 27.00	\$ 27.00	\$ 22.57	\$ 31.46	
Royalty expense	(1.26)	(0.35)	(1.79)	(1.79)	(1.06)	(2.30)	
Production costs	(4.83)	(5.37)	(5.51)	(5.51)	(5.34)	(5.62)	
Transportation costs	(1.28)	(0.96)	(1.46)	(1.46)	(1.06)	(1.07)	
Field operating netback	17.08	11.45	18.24	18.24	15.11	22.47	
Realized gain (loss) on commodity contract settlement	(0.41)	(0.08)	0.34	0.34	(0.12)	0.24	
Operating netback	16.67	11.37	18.58	18.58	14.99	22.71	
G&A	(0.28)	(0.66)	(0.59)	(0.59)	(0.58)	(0.47)	
Cash Finance expenses	(3.41)	(2.11)	(1.75)	(1.75)	(4.35)	(1.73)	
Depletion and depreciation	(8.60)	(8.46)	(8.15)	(8.15)	(8.46)	(8.39)	
Non Cash - Finance expenses	(1.98)	(1.71)	(0.04)	(0.04)	(0.05)	(0.05)	
Stock-based compensation	(0.13)	(1.68)	(0.66)	(0.66)	(0.78)	(0.85)	
Unrealized gain (loss) on financial instruments	(1.37)	(0.07)	0.08	0.08	(0.18)	0.02	
Deferred income tax	(0.20)	0.15	(1.87)	(1.87)	(0.38)	(0.66)	
Net Income netback	\$ 0.69	\$ (3.18)	\$ 5.60	\$ 5.60	\$ 0.21	\$ 10.57	

Business Environment

	2020			2019		Nine Months Ended	
	Q3	Q2	Q3	Q3	2020	2019	
Realized Pricing (Including realized commodity contracts)							
Oil (\$/bbl)	\$ 49.49	\$ 31.31	\$ 69.83	\$ 69.83	\$ 45.71	\$ 69.81	
NGL (\$/bbl)	\$ 19.01	\$ 13.82	\$ 22.78	\$ 22.78	\$ 16.45	\$ 27.82	
Gas (\$/mcf)	\$ 2.47	\$ 2.24	\$ 1.06	\$ 1.06	\$ 2.17	\$ 1.56	
Realized Pricing (Excluding commodity contracts)							
Oil (\$/bbl)	\$ 49.49	\$ 31.31	\$ 69.83	\$ 69.83	\$ 45.65	\$ 69.81	
NGL (\$/bbl)	\$ 18.96	\$ 13.98	\$ 20.85	\$ 20.85	\$ 16.47	\$ 26.33	
Gas (\$/mcf)	\$ 2.47	\$ 2.25	\$ 1.06	\$ 1.06	\$ 2.21	\$ 1.56	
Oil Price Benchmarks							
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 40.89	\$ 28.00	\$ 56.43	\$ 56.43	\$ 38.35	\$ 56.99	
Edmonton Par (\$/bbl)	\$ 48.66	\$ 28.67	\$ 69.48	\$ 69.48	\$ 42.92	\$ 70.31	
Edmonton Par to WTI differential (US\$/bbl)	\$ (4.35)	\$ (7.31)	\$ (3.63)	\$ (3.63)	\$ (6.50)	\$ (4.26)	
Natural Gas Price Benchmarks							
AECO gas (\$/mcf)	\$ 2.28	\$ 1.89	\$ 0.90	\$ 0.90	\$ 2.07	\$ 1.55	
Foreign Exchange							
U.S./Canadian Dollar Exchange	0.75	0.72	0.76	0.76	0.74	0.75	

Operations Summary

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

	2020			2019		Nine Months Ended	
	Q3	Q2	Q3	Q3	2020	2019	
Daily production volumes							
Natural gas (mcf/d)	27,445	33,214	41,068	41,068	33,103	39,049	
Oil (bbl/d)	2,135	2,513	3,627	3,627	2,728	4,020	
NGL's (bbl/d)	1,700	1,827	2,253	2,253	1,884	2,045	
Combined (boe/d 6:1)	8,409	9,875	12,724	12,724	10,129	12,574	
Revenue							
Petroleum & natural gas sales - Gross	\$ 18,910	\$ 16,290	\$ 31,606	\$ 31,606	\$ 62,635	\$ 107,986	
Realized gain (loss) on commodity contract settlement	(319)	(69)	402	402	(335)	832	
Total sales	18,591	16,221	32,008	32,008	62,300	108,818	
Royalty expense	(976)	(314)	(2,093)	(2,093)	(2,930)	(7,881)	
Total Revenue - Net of royalties	\$ 17,615	\$ 15,907	\$ 29,915	\$ 29,915	\$ 59,370	\$ 100,937	

Working Capital Summary

The following table summarizes the change in working capital during the nine months ended September 30, 2020 and December 31, 2019:

	Nine months ended		Year ended	
	September 30, 2020		December 31, 2019	
Adjusted Net Debt - beginning of period	\$	(187,711)	\$	(155,882)
Funds flow from operations		31,760		92,236
Additions to property and equipment		(36,089)		(115,276)
Decommissioning costs incurred		-		(966)
Additions to E&E Assets		(426)		(5,723)
Issuance of shares		-		41
Provision for Credit Losses		-		(664)
Other		(1,412)		(1,477)
Adjusted Net Debt - end of period	\$	(193,878)	\$	(187,711)
Credit facility limit	\$	210,000	\$	225,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2020		2019	Nine Months Ended	
	Q3	Q2	Q3	2020	2019
Land, acquisitions and lease rentals	\$ 258	\$ 36	\$ 170	\$ 398	\$ 306
Drilling and completion	8,036	372	18,194	30,971	66,063
Geological and geophysical	190	145	148	506	594
Equipment	1,232	273	4,807	3,473	26,474
Other asset additions	281	258	104	740	786
	\$ 9,997	\$ 1,084	\$ 23,423	\$ 36,089	\$ 94,223
Exploration & evaluation assets	\$ -	\$ -	\$ 3,180	\$ 426	\$ 5,243

Quarter End Disclosure

The Company's financial statements, notes to the financial statements and management's discussion and analysis 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 three and nine month period ended September 30, 2020 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.