yangarra resources ltd.

Suite 1530, 715 – 5 Avenue S.W. Calgary, Alberta T2P 2X6
Phone: (403) 262-9558 Fax: (403) 262-8281
Webpage: www.yangarra.ca Email: info@yangarra.ca

For Immediate Release

Yangarra Provides Operations Update and 2018 Guidance

January 16, 2018 - Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) provides an operations update, outlines 2018 guidance and provides a hedging program update.

Operations Update

Production for 2017 averaged approximately 5,750 boe/d which is a 91% increase on a production per share basis when compared to 2016. December 2017 production averaged approximately 7,500 boe/d (62% liquids) with fourth quarter 2017 production estimated at 6,700 boe/d. The Company's base corporate decline rate for 2018 is forecast to be approximately 31%.

The Company drilled and completed sixteen (16) wells in the bioturbated Cardium formation in 2017, five (5) wells were drilled prior to spring breakup and 11 wells were drilled post breakup with an additional two wells drilling over year-end. The first six wells drilled after break-up now have more than 30 days of production history and the IP-30 on those wells averaged 497 boe/d (80% liquids).

Efforts to reduce drilling and completion costs during the fourth quarter wells have been successful with costs declining to $1,250/m (per lateral meter on 2 mile wells) from $1,420/m in Q3 despite the increased frack intensity. Frack stages continue to increase with up to 80 stages per mile on recent wells with initial results indicating support for the increased intensity. The Company has also drilled two 1-mile wells and two 1.5-mile wells which will provide the Company with an opportunity to compare the economics of these wells to the 2-mile type curve.

The Company has 120 sections of Cardium land in Central Alberta and 940 gross (740 net) future Cardium locations (based on 1-mile horizontal lengths). Yangarra has increased its assumptions for original oil in place ("OOIP") and original BOE in place ("OBOEIP") due to recent exploitation of the bioturbated section below the traditional Cardium sand. Yangarra's Cardium land base, according to internal analysis and estimates, contains 886 gross (650 net) million barrels of OOIP and 1,800 gross (1,265 net) million boe of OBOEIP as at December 31, 2017.

The Company currently operates 96% of its production.

Capital Budget & Guidance

Fourth quarter capital is expected to be approximately $30 million, bringing the total capital spent in 2017 to approximately $83 million. Fourth quarter cash flow is expected to be $15 million resulting in year-end net debt of approximately $95 million and a Q4 annualized debt to cash flow of 1.6 to 1.0.

The Company's Board of Directors has approved an initial capital budget of $90 million for 2018. The 2018 capital budget includes the drilling of seven (7) new wells in the first quarter and fifteen (15) new wells in the second half.

The budget is expected to increase the Company's annual 2018 production to 9,000 – 10,000 boe/d with cash flow from operations estimated at $80 to $90 million.

The Company expects year-end 2018 net debt of $95 – $105 million resulting in a debt to annual cash flow ratio of 1.1 – 1.3 to 1. The budget assumes an average price of US$55.00/bbl for WTI crude oil (CDN$63.75/bbl Edmonton par) and an average price of $2.00/GJ for AECO natural gas.

The annual review of the bank syndicated facility is scheduled for May 2018.

Hedging Program Update

The Company's oil hedge position for 2018 consists of 2,300 bbl/d at an average price of C$70.09/bbl for the first half of the year and 1,400 bbl/d at an average price of C$73.23/bbl for the second half of the year. The Company has also hedged 200 bbl/d of propane at US$32.34 for 2018.

For further information, please contact Jim Evaskevich, President and Chief Executive Officer at (403) 262-9558.

Forward looking information

This press release contains forward-looking statements. More particularly, this press release contains statements concerning planned exploration and development activities, the anticipated daily production average during 2017, the anticipated profitability of the Company if commodity prices were to future decline from the current levels and the planned corporate strategy during the current commodity environment.

The forward-looking statements in this press release are based on certain key expectations and assumptions made by Yangarra, including expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology, prevailing weather conditions, commodity prices, royalty regimes and exchange rates and the availability of capital, labour and services.

Although Yangarra believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Yangarra can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions, general business, economic, competitive, political and social uncertainties, capital market conditions and market prices for securities and changes to existing laws and regulations. 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.

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 necessarily determinative of the rates at which such wells will commence production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Corporation. The initial production rate may be estimated based on other third party estimates or limited data available at this time. In all cases in this press release, initial production or test are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

Non-GAAP Financial Measures

This press release contains a reference to "net debt". Net debt or adjusted working capital (deficit), which represent current assets less current liabilities, excluding current derivative financial instruments, are used to assess efficiency, liquidity and the general financial strength of the Company. There is no IFRS measure that is reasonably comparable to net debt or adjusted working capital (deficit).

Barrels of Oil Equivalent

The term barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 Bbl) of crude oil. The boe conversion ratio of 6 mcf to 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Reserves Data/Oil and Gas Metric

Original Oil in Place (OOIP) and Original BOE in Place (OBOEIP) are the equivalent to Total Petroleum Initially In Place (TPIIP) for the purposes of this press release. TPIIP is defined as quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be economically viable or technically feasible to produce any portion of this TPIIP except to the extent that it may subsequently be identified as proved or probable reserves. Resources do not constitute, and should not be confused with, reserves. "Internal analysis" means an estimate that is derived by Yangarra's internal APEGA certified Engineers, and Geologists and prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

All reference to $ (funds) are in Canadian dollars.