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Yangarra Announces Second Quarter 2017 Financial and Operating Results

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Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the three and six months ended June 30, 2017.

Second Quarter Highlights

- Production averaged 5,705 boe/d (54% liquids), doubling output from the second quarter of 2016.
- Production per share growth of 97% from the second quarter of 2016 and 27% from the first quarter of 2017.
- Funds flow from operations of $12.0 million ($0.15 per share - basic) an increase of 332% compared to the second quarter of 2016.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $13.0 million ($0.16 per share - basic).
- Oil and gas sales were $19.5 million
- Net income of $5.6 million ($0.07 per share - basic) or $7.9 million net income before tax.
- Operating costs were $8.98/boe (including $0.73/boe of transportation costs).
- Operating netbacks, including the impact of commodity contracts, were $26.68 per boe.
- Funds flow netbacks were $23.81 per boe.
- Operating and funds flow margins were 71% and 63%, respectively.
- G&A costs of $0.92/boe.
- Royalties were 8% of oil and gas revenue.
- Total capital expenditures were $7.9 million.
- Net debt (excluding current derivative financial instruments) was $72.7 million.
- Net Debt to annualized second quarter funds flow from operations was 1.5: 1.
- Increased the credit facility to $100 million.
- Corporate LMR is 6.7, with decommissioning liabilities of $8.7 million.

Operations Update

The Company's second half 2017 drilling program is underway, two 2-mile wells have been drilled and the rig is moving to the third well. The first well was completed with 128 stages and 2,300 tons of sand; initial flow test results indicate the well is better than type curve. The second well is programed for 136 stages and 3,000 tons of sand, with the completion scheduled to begin on August 9th.

The Company continues to reduce stage interval distance as well as increase sand volumes per stage to determine the optimal stage count and sand tonnage to maximize rates of return in the bioturbated section of the Cardium.

Operating costs increased during the second quarter due to a significant number of bottom-hole pump changes during the quarter.

To-date 2017, the Company has added 110 Cardium locations and continues to successfully consolidate working interests on existing acreage.

The Company had 1,200 bbl/d hedged in July and has 1,000 bbl/d hedged for the balance of the year at an average price of C$73.30/bbl.

Financial Summary

	2017		2016	Six months ended	
	Q2	Q1	Q2	2017	2016
Statements of Comprehensive Income					
Petroleum & natural gas sales	$ 19,527,395	$ 15,549,388	$ 5,729,668	$ 35,076,783	$ 12,075,871
Net income (before tax)	$ 7,893,731	$ 7,341,733	$ (2,667,159)	$ 15,235,464	$ 8,963,944
Net income	$ 5,611,218	$ 5,216,545	$ (899,623)	$ 10,827,763	$ 10,978,731
Net income per share - basic	$ 0.07	$ 0.07	$ (0.01)	$ 0.13	$ 0.16
Net income per share - diluted	$ 0.07	$ 0.06	$ (0.01)	$ 0.13	$ 0.16
Statements of Cash Flow					
Funds flow from operations	$ 12,047,670	$ 10,343,203	$ 2,791,331	$ 22,390,874	$ 6,150,460
Funds flow from operations per share - basic	$ 0.15	$ 0.13	$ 0.04	$ 0.28	$ 0.09
Funds flow from operations per share - diluted	$ 0.14	$ 0.12	$ 0.04	$ 0.27	$ 0.09
Cash from operating activities	$ 9,241,194	$ 8,610,412	$ 2,325,650	$ 17,851,606	$ 4,416,449
Statements of Financial Position					
Property and equipment	$ 299,963,241	$297,327,854	$ 262,739,509	$ 299,963,241	$ 262,739,509
Total assets	$ 326,865,302	$322,741,856	$ 282,054,890	$ 326,865,302	$ 282,054,890
Working capital deficit	$ 69,864,913	$ 77,233,927	$ 51,378,760	$ 69,864,913	$ 51,378,760
Adjusted working capital deficit (which excludes current derivative financial instruments)	$ 72,674,034	$ 77,646,963	$ 51,273,024	$ 72,674,034	$ 51,273,024
Non-Current Liabilities	$ 39,580,252	$ 36,541,365	$ 34,277,081	$ 39,580,252	$ 34,277,081
Shareholders equity	$ 197,280,541	$190,315,027	$ 183,846,133	$ 197,280,541	$ 183,846,133
Weighted average number of shares - basic	80,555,880	79,970,061	72,231,255	80,264,589	69,956,529
Weighted average number of shares - diluted	84,065,109	82,872,845	72,231,255	83,388,671	70,181,049

Net income for the six months ended June 30, 2016 includes $13,082,687 for a gain on settlement of lawsuit.

Company Netbacks ($/boe)

	2017 Q2	2017 Q1	2016 Q2	Six months ended 2017	Six months ended 2016
Sales price	$ 37.61	$ 38.54	$ 22.10	$ 38.02	$ 22.04
Royalty expense	(2.86)	(3.05)	(0.45)	(2.95)	(0.64)
Production costs	(8.26)	(6.99)	(7.01)	(7.70)	(7.15)
Transportation costs	(0.73)	(0.94)	(1.41)	(0.82)	(1.52)
Field operating netback	**25.76**	**27.56**	**13.23**	**26.55**	**12.73**
Realized gain on commodity contract settlement	0.92	0.21	1.61	0.61	2.57
Operating netback	**26.68**	**27.77**	**14.84**	**27.16**	**15.30**
G&A	(0.92)	(0.51)	(1.48)	(0.74)	(1.76)
Finance expenses	(1.95)	(1.59)	(2.31)	(1.79)	(2.08)
Funds flow netback	**23.81**	**25.67**	**11.05**	**24.63**	**11.46**
Depletion and depreciation	(10.68)	(10.85)	(12.87)	(10.75)	(13.10)
E&E Impairment	-	-	-	-	(1.38)
Accretion	(0.09)	(0.11)	(0.19)	(0.10)	(0.18)
Stock-based compensation	(0.71)	(0.82)	(1.07)	(0.76)	(1.10)
Unrealized gain (loss) on financial instruments	2.88	4.31	(7.22)	3.50	(3.22)
Gain on Settlement of Lawsuit	-	-	-	-	23.87
Deferred income tax	(4.40)	(5.27)	6.82	(4.78)	3.68
Net Income netback	**$ 10.81**	**$ 12.93**	**$ (3.47)**	**$ 11.74**	**$ 20.03**

Business Environment

	2017 Q2	2017 Q1	2016 Q2	Six months ended 2017	Six months ended 2016
Realized Pricing (Including realized commodity contracts)					
Oil ($/bbl)	$ 63.69	$ 64.31	$ 65.43	$ 63.97	$ 53.21
NGL ($/bbl)	$ 29.14	$ 29.89	$ 26.54	$ 29.51	$ 24.81
Gas ($/mcf)	$ 3.00	$ 3.19	$ 1.20	$ 3.08	$ 1.86
Realized Pricing (Excluding commodity contracts)					
Oil ($/bbl)	$ 62.63	$ 64.35	$ 60.01	$ 63.39	$ 45.97
NGL ($/bbl)	$ 27.85	$ 29.96	$ 24.37	$ 28.89	$ 20.89
Gas ($/mcf)	$ 2.89	$ 3.09	$ 1.20	$ 2.97	$ 1.86
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 48.29	$ 51.91	$ 45.60	$ 50.10	$ 39.55
Edmonton Par (C$/bbl)	$ 61.92	$ 64.25	$ 55.80	$ 62.95	$ 45.15
Edmonton Par to WTI differential (US$/bbl)	$ (2.20)	$ (3.34)	$ (2.08)	$ (2.89)	$ (5.69)
Natural Gas Price Benchmarks					
AECO gas (Cdn$/mcf)	$ 2.78	$ 2.94	$ 1.25	$ 2.79	$ 1.68
Foreign Exchange					
U.S./Canadian Dollar Exchange	$ 0.74	$ 0.76	$ 0.78	$ 0.75	$ 0.75

Operations Summary

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

	2017 Q2	2016 Q2	Six months ended 2017	Six months ended 2016
Daily production volumes				
Natural gas (mcf/d)	15,586	10,127	13,315	10,295
Oil (bbl/d)	2,281	633	2,060	803
NGL's (bbl/d)	826	528	818	492
Combined (boe/d 6:1)	5,705	2,849	5,097	3,011
Revenue				
Petroleum & natural gas sales - Gross	$ 19,527,395	$ 5,729,668	$ 35,076,783	$ 12,075,871
Realized gain on commodity contract settlement	477,734	416,573	563,652	1,408,993
Total sales	20,005,129	6,146,241	35,640,435	13,484,864
Royalty expense	(1,487,371)	(116,747)	(2,718,546)	(350,138)
Total Revenue - Net of royalties	$ 18,517,758	$ 6,029,494	$ 32,921,889	$ 13,134,726

Working Capital Summary

The following table summarizes the change in working capital during the six months ended June 30, 2017 and the year ended December 31, 2016:

		2017		2016
Adjusted Working capital (deficit) - beginning of period	$	(65,005,805)	$	(60,886,556)
Funds flow from operations		22,390,873		16,263,727
Additions to property and equipment		(31,397,294)		(27,672,766)
Property Acquisition		-		(3,707,693)
Decommissioning costs incurred		-		(180,862)
Issuance of shares		1,359,111		11,218,610
Other Debt		(20,919)		(40,265)
Adjusted Working capital (deficit) - end of period	$	(72,674,034)	$	(65,005,805)
Credit facility limit	$	100,000,000	$	80,000,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2017 Q2	2017 Q1	2016 Q2	Six months ended 2017	Six months ended 2016
Land, acquisitions and lease rentals	$ 1,726,569	$ 770,915	$ 136,909	$ 2,497,484	$ 288,022
Cash property acquisitions	-	-	-	-	3,707,693
Drilling and completion	4,299,243	19,664,385	890,365	23,963,628	1,400,603
Geological and geophysical	284,010	143,792	234,987	427,802	593,134
Equipment	1,382,772	2,910,272	1,095,424	4,293,044	1,208,812
Other asset additions	208,438	6,898	590	215,336	73,127
	$ 7,901,032	$ 23,496,262	$ 2,358,275	$ 31,397,294	$ 7,271,391

Disclosure Items

The Company's financial statements, notes to the financial statements and management's discussion and analysis have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.yangarra.ca).

For further information, please contact Jim Evaskevich, President & CEO 403-262-9558.

Forward looking information

Certain information regarding Yangarra set forth in this news release, including but not limited to, management's expectation on improvements to costs and productive capability for the next drilling program based on certain changes made to Yangarra's drilling and completion program, 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.

The initial production rates discussed in this press release are not necessarily indicative of long-term performance or of ultimate recovery due to high initial decline rates.

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. Operating netbacks are calculated as revenue from all products less operating costs.

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 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.

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.