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Yangarra Announces Second Quarter 2019 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, 2019.

Second Quarter Highlights

- Average production of 13,032 boe/d (47% liquids) during the quarter, an increase of 9% from the first quarter of 2019 and a 72% increase from the same period in 2018.
- Oil and gas sales were $36.5 million, an increase of 22% from the same period in 2018.
- Funds flow from operations of $24.4 million ($0.29 per share – basic), an increase of 44% from the same period in 2018.
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $25.2 million ($0.30 per share - basic).
- Net income of $18.2 million ($0.21 per share – basic, $13.4 million before tax), an increase of 1,007% from the same period in 2018 and represents the 10th consecutive quarter of net income.
- Operating costs were $6.29/boe (including $0.79/boe of transportation costs).
- Field netbacks were $22.11/boe.
- Operating netbacks, which include the impact of commodity contracts, were $22.33/boe.
- Operating margins were 73% and cash flow margins were 66%.
- G&A costs of $0.50/boe.
- Royalties were 8% of oil and gas revenue.
- Total capital expenditures (including E&E) were $13.8 million.
- Adjusted net debt (which excludes current derivative financial instruments) was $178 million, a reduction of $10 million from the first quarter of 2019.
- Adjusted net debt to annualized second quarter funds flow from operations was 1.8 : 1.
- Retained earnings of $90.3 million as at June 30, 2019.
- Corporate LMR is 13.99 with decommissioning liabilities of $14.1 million (discounted).

Operations Update

The Company drilled 4 wells and completed 3 wells during the quarter, which leaves 4 wells drilled but not completed at the end of the second quarter. Due to the wet spring, drilling and completion operations were delayed until late July. Yangarra expects to drill 5-6 wells and complete 4-5 wells during the third quarter. Guidance for the year remains unchanged.

Environment, Social, Governance ("ESG") strategy

Yangarra focuses on creating long-term shareholder value through financial discipline while minimizing Yangarra's environmental footprint and by operating in a safe manner with a diverse culture. While Canadian oil & gas ESG standards have not been formalized or adopted, Yangarra is moving forward on ESG initiatives with the following:

- Methane baseline study is complete and on track for a 55% reduction.
- Recently implemented revised completion procedures which will reduce flaring by 90% and reduce completion costs by 10%.
- Implement a strategy of recycling 90% of all water generated from completions and production operations via reuse in new fracture stimulations.
- Yangarra has drilled over 300 wells since inception, 120 of these have produced to their economic limit and were abandoned, resulting in a low standing well count and minimal asset retirement obligations.
- Recently adopted a formal diversity policy to acknowledge important diversity considerations such as gender, age and ethnicity with a view to ensuring that the Company benefits from a broader range of perspectives and relevant experiences.

Share buybacks

Yangarra continues to make capital allocation decisions using a full cycle return model, which includes the decision on whether to buyback the Company's shares. Using the second quarter production of 13,032 boe/d the and the current enterprise value (Market capitalization + Net Debt) the Company's shares have traded as low as $23,500 on a per flowing boe basis. The Company's cashflow and debt levels would allow for buybacks, however based on full-cycle capital efficiencies comparisons, the Company has made the decision to allocate capital to land purchases, new drilling and debt reduction versus share buybacks at this time.

Financial Summary

	2019 Q2	2019 Q1	2018 Q2	Six months ended 2019	Six months ended 2018
Statements of Comprehensive Income					
Petroleum & natural gas sales	$ 36,473	$ 39,907	$ 29,922	$ 76,380	$ 59,672
Net income (before tax)	$ 13,433	$ 16,386	$ 2,605	$ 29,819	$ 10,651
Net income	$ 18,219	$ 11,514	$ 1,646	$ 29,733	$ 7,305
Net income per share - basic	$ 0.21	$ 0.13	$ 0.02	$ 0.35	$ 0.09
Net income per share - diluted	$ 0.21	$ 0.13	$ 0.02	$ 0.34	$ 0.08
Statements of Cash Flow					
Funds flow from operations	$ 24,445	$ 27,731	$ 17,005	$ 52,176	$ 35,643
Funds flow from operations per share - basic	$ 0.29	$ 0.32	$ 0.20	$ 0.61	$ 0.42
Funds flow from operations per share - diluted	$ 0.28	$ 0.32	$ 0.19	$ 0.60	$ 0.41
Cash from operating activities	$ 22,005	$ 22,963	$ 16,288	$ 44,968	$ 31,277
Statements of Financial Position					
Property and equipment	$ 515,730	$ 511,113	$ 387,734	$ 515,730	$ 387,734
Total assets	$ 561,986	$ 566,081	$ 430,520	$ 561,986	$ 430,520
Working capital deficit	$ 6,672	$ 18,699	$ 18,600	$ 6,672	$ 18,600
Net Debt (which excludes current derivative financial instruments)	$ 177,821	$ 188,063	$ 115,119	$ 177,821	$ 115,119
Non-Current Liabilities, excluding bank debt	$ 66,518	$ 70,229	$ 51,547	$ 66,518	$ 51,547
Shareholders equity	$ 288,027	$ 268,584	$ 224,991	$ 288,027	$ 224,991
Weighted average number of shares - basic	85,363	85,359	85,020	85,361	83,959
Weighted average number of shares - diluted	86,680	86,772	87,783	86,728	86,406

Company Netbacks ($/boe)

	2019 Q2	2019 Q1	2018 Q2	Six months ended 2019	Six months ended 2018
Sales price	$ 30.76	$ 37.09	$ 43.43	$ 33.77	$ 43.73
Royalty expense	(2.35)	(2.79)	(3.90)	(2.56)	(4.02)
Production costs	(5.50)	(5.87)	(6.40)	(5.68)	(6.40)
Transportation costs	(0.79)	(0.96)	(1.31)	(0.87)	(1.48)
Field operating netback	**22.12**	**27.46**	**31.82**	**24.66**	**31.83**
Realized gain (loss) on commodity contract settlement	0.22	0.16	(5.18)	0.19	(3.73)
Operating netback	**22.34**	**27.62**	**26.64**	**24.85**	**28.10**
G&A	(0.50)	(0.32)	(0.56)	(0.41)	(0.56)
Finance expenses	(1.49)	(1.97)	(1.39)	(1.72)	(1.34)
Funds flow netback	**20.35**	**25.33**	**24.69**	**22.71**	**26.19**
Depletion and depreciation	(8.53)	(8.48)	(10.00)	(8.51)	(10.04)
Accretion	(0.05)	(0.06)	(0.08)	(0.05)	(0.07)
Stock-based compensation	(0.75)	(1.18)	(1.95)	(0.96)	(1.59)
Unrealized gain (loss) on financial instruments	0.32	(0.39)	(8.87)	(0.02)	(6.69)
Deferred income tax	4.04	(4.53)	(1.39)	(0.04)	(2.45)
Net Income netback	**$ 15.38**	**$ 10.70**	**$ 2.39**	**$ 13.14**	**$ 5.35**

Business Environment

	2019 Q2	2019 Q1	2018 Q2	Six months ended 2019	Six months ended 2018
Realized Pricing (Including realized commodity contracts)					
Oil ($/bbl)	$ 73.77	$ 66.00	$ 71.34	$ 69.81	$ 69.89
NGL ($/bbl)	$ 24.20	$ 38.21	$ 31.71	$ 30.80	$ 35.56
Gas ($/mcf)	$ 1.24	$ 2.56	$ 1.16	$ 1.84	$ 1.69
Realized Pricing (Excluding commodity contracts)					
Oil ($/bbl)	$ 73.77	$ 66.00	$ 80.03	$ 69.81	$ 75.95
NGL ($/bbl)	$ 22.80	$ 37.18	$ 40.38	$ 29.57	$ 42.51
Gas ($/mcf)	$ 1.24	$ 2.56	$ 1.16	$ 1.84	$ 1.69
Oil Price Benchmarks					
West Texas Intermediate ("WTI") (US$/bbl)	$ 59.56	$ 54.90	$ 67.88	$ 57.05	$ 65.37
Edmonton Par (C$/bbl)	$ 73.73	$ 66.48	$ 80.54	$ 70.13	$ 76.25
Edmonton Par to WTI differential (US$/bbl)	$ (4.44)	$ (4.91)	$ (5.46)	$ (4.42)	$ (5.67)
Natural Gas Price Benchmarks					
AECO gas (Cdn$/mcf)	$ 1.04	$ 1.94	$ 1.03	$ 1.83	$ 1.44
Foreign Exchange					
U.S./Canadian Dollar Exchange	0.75	0.75	0.78	0.75	0.78

Operations Summary

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

	2019 Q2	2019 Q1	2018 Q2	Six months ended 2019	Six months ended 2018
Daily production volumes					
Natural gas (mcf/d)	41,304	34,707	18,336	38,024	18,436
Oil (bbl/d)	4,116	4,343	3,162	4,223	3,252
NGL's (bbl/d)	2,032	1,829	1,353	1,937	1,214
Combined (boe/d 6:1)	13,032	11,956	7,570	12,497	7,539
Revenue					
Petroleum & natural gas sales - Gross	$ 36,473	$ 39,907	$ 29,922	$ 76,380	$ 59,672
Realized gain (loss) on commodity contract settlement	260	170	(3,569)	430	(5,091)
Total sales	36,733	40,077	26,353	76,810	54,581
Royalty expense	(2,785)	(3,003)	(2,684)	(5,788)	(5,486)
Total Revenue - Net of royalties	$ 33,948	$ 37,074	$ 23,669	$ 71,022	$ 49,095

Working Capital Summary

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

	Six months ended June 30, 2019	Year ended December 31, 2018
Net Debt - beginning of period	$ (155,882)	$ (93,533)
Funds flow from operations	52,176	82,334
Additions to property and equipment	(70,800)	(141,060)
Decommissioning costs incurred	(578)	(333)
Additions to E&E Assets	(2,063)	(9,773)
Issuance of shares	31	6,776
Other	(705)	(293)
Net Debt - end of period	$ (177,821)	$ (155,882)
Credit facility limit	$ 225,000	$ 175,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2019 Q2	2019 Q1	2018 Q2	Six months ended 2019	Six months ended 2018
Land, acquisitions and lease rentals	$ 98	$ 38	$ 92	$ 136	$ 149
Drilling and completion	8,960	38,908	19,520	47,870	46,291
Geological and geophysical	209	237	200	446	339
Equipment	3,346	18,320	6,113	21,667	10,454
Other asset additions	182	500	86	682	89
	$ 12,794	$ 58,004	$ 26,010	$ 70,800	$ 57,322
Exploration & evaluation assets	$ 1,019	$ 1,044	$ 1,472	$ 2,063	$ 6,520

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 six months ended June 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.

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.