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Yangarra Announces Third Quarter 2016 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 nine months ended September 30, 2016.

Third Quarter 2016 Highlights

- Production averaged 2,609 boe/d.
- Cash costs totaled $12.71/boe
  - Operating costs of $6.97/boe.
  - Transportation costs of $1.17/boe.
  - Royalties of $1.14/boe (4% of revenue).
  - G&A costs of $1.58/boe.
  - Finance and interest costs of $1.85/boe.
- Oil and gas sales were $5.9 million with funds flow from operations of $3.3 million ($0.04 per share - basic).
- Net loss of $0.5 million ($0.01 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $3.7 million ($0.05 per share - basic).
- Operating netbacks, which include the impact of commodity contracts, were $17.62 per boe. Field netbacks, excluding the impact of commodity contracts were $15.67.
- Total cash capital expenditures were $10.4 million.
  - Yangarra completed its standing Duvernay well, drilled and completed a 1.6 mile horizontal well and drilled a 2 mile horizontal well.
  - Land purchases totaled $1.4 million.
- Net debt (excluding the current value of derivative instruments) was $58.2 million, down from $60.9 million at 2015 year end.

Operations Update

Yangarra has finished drilling four extended reach Cardium wells in Willesden Green and Ferrier. Three of the wells have been completed and placed on-stream with the fourth well scheduled for completion in mid-November.

Cardium drilling costs have been reduced by 23% per meter in the 2016 program versus 2015 and completion costs have been decreased by 45% per stage. Drilling cost improvements are a result of optimized surface drilling procedures and re-designed drill string/bottom-hole assembly resulting in much quicker drill times. Significant savings have been realized in completion operations through more efficient supply and handling of water as well as improved coil design for sleeve completions.

Initial production over the first 30 days ("IP 30") on the first well in the program was approximately 550 boe/d (83% oil), the other two completed wells have less than two weeks of production data. The drilling rig has now been racked due to current commodity price volatility and to allow the Company time to evaluate the results of changes made to the drilling and completion programs with drilling set to resume early in 2017.

The Company has continued to expand its Cardium acreage with additional lands added during the quarter and several deals currently pending. An update of future drilling locations will be provided upon completion of the pending transactions, likely after year end.

Yangarra has initiated work on its Duvernay pipeline to company owned facilities and expects its first Duvernay well to be tied-in and on production by year end. The pipeline construction has been delayed by extremely wet weather and routing issues.

Guidance Update

The $24 million budget is expected to increase the Company's annual production for 2016 to 2,750 - 3,000 boe/d, which is a 15-25% increase from 2015, however cash flow from operations is now estimated at $14 - $16 million for 2016 which has been negatively impacted by lower than expected commodity pricing, delayed/reduced Cardium drilling program and delayed Duvernay well tie in.

Financial Summary

	2016	2015	Nine Months Ended	
	Q3	Q3	2016	2015
Statements of Comprehensive Income				
Petroleum & natural gas sales	$ 5,939,598	$ 5,363,673	$ 17,950,262	$ 18,527,820
Net (loss) income (before tax)	$ (144,625)	$ (1,782,406)	$ 8,819,319	$ (2,805,495)
Net (loss) income	$ (470,783)	$ (2,353,636)	$ 10,507,948	$ (4,611,111)
Net (loss) income per share - basic and diluted	$ (0.01)	$ (0.03)	$ 0.14	$ (0.07)
Statements of Cash Flow				
Funds flow from operations	$ 3,331,966	$ 4,166,530	$ 9,482,426	$ 17,185,869
Funds flow from operating activities per share - basic and diluted	$ 0.04	$ 0.06	$ 0.13	$ 0.27
Cash from operating activities	$ 4,866,167	$ 4,599,582	$ 9,282,616	$ 15,094,643
Statements of Financial Position				
Property and equipment	$ 270,291,202	$ 234,947,346	$ 270,291,202	$ 234,947,346
Total assets	$ 289,495,918	$ 261,511,458	$ 289,495,918	$ 261,511,458
Working capital deficit	$ 58,221,548	$ 50,687,278	$ 58,221,548	$ 50,687,278
Adjusted working capital deficit (which excludes current derivative financial instruments)	$ 58,387,741	$ 53,512,533	$ 58,387,741	$ 53,512,533
Non-Current Liabilities	$ 35,205,085	$ 30,494,669	$ 35,205,085	$ 30,494,669
Shareholders equity	$ 183,627,034	$ 160,913,054	$ 183,627,034	$ 160,913,054
Weighted average number of shares - basic	79,181,805	67,681,804	73,054,066	62,555,188
Weighted average number of shares - diluted	79,181,805	67,681,804	73,433,974	62,555,188

Company Netbacks ($/boe)

	2016 Q3	2015 Q3	Nine Months Ended 2016	Nine Months Ended 2015
Sales price	$ 24.75	$ 27.02	$ 22.78	$ 29.30
Royalty income	0.20	0.34	0.14	0.29
Royalty expense	(1.14)	(0.61)	(0.79)	(1.18)
Production costs	(6.97)	(7.39)	(7.09)	(7.25)
Transportation costs	(1.17)	(1.38)	(1.41)	(1.45)
Field operating netback	**15.67**	**17.97**	**13.63**	**19.71**
Realized gain on commodity contract settlement	1.95	6.81	2.38	12.07
Operating netback	**17.62**	**24.79**	**16.01**	**31.78**
G&A	(1.58)	(1.30)	(1.71)	(1.92)
Finance expenses	(1.85)	(2.59)	(2.01)	(3.16)
Funds flow netback	**14.19**	**20.89**	**12.29**	**26.69**
Depletion and depreciation	(13.37)	(12.85)	(13.18)	(13.49)
E&E Impairment	-	(27.26)	(0.96)	(8.56)
Accretion	(0.18)	(0.23)	(0.18)	(0.20)
Stock-based compensation	(0.80)	(1.49)	(1.01)	(0.86)
Unrealized gain (loss) on financial instruments	(0.44)	11.95	(2.37)	(8.03)
Gain on Settlement of Lawsuit	-	-	16.60	-
Deferred income tax	(1.36)	(2.88)	2.14	(2.86)
Net Income netback	**$ (1.96)**	**$ (11.86)**	**$ 13.33**	**$ (7.29)**

Operations Summary

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

	2016 Q3	2015 Q3	Nine Months Ended 2016	Nine Months Ended 2015
Daily production volumes				
Natural gas (mcf/d)	9,373	6,477	9,918	7,711
Oil (bbl/d)	563	700	722	679
NGL's (bbl/d)	460	320	475	307
Royalty income				
Natural gas (mcf/d)	56	232	86	191
Oil (bbl/d)	5	0	2	0
NGL's (bbl/d)	9	19	10	12
Combined (boe/d 6:1)	2,609	2,158	2,876	2,315
Revenue				
Petroleum & natural gas sales - Gross	$ 5,939,598	$ 5,363,673	$ 17,950,262	$ 18,527,820
Royalty income	48,712	66,770	113,919	181,048
Realized gain on commodity contract settlement	468,105	1,352,383	1,877,098	7,634,614
Total sales	6,456,415	6,782,826	19,941,279	26,343,482
Royalty expense	(272,840)	(120,664)	(622,978)	(744,867)
Total Revenue - Net of royalties	$ 6,183,575	$ 6,662,162	$ 19,318,301	$ 25,598,615

Pricing Summary

Net petroleum and natural gas pricing is summarized below:

	2016 Q3	2015 Q3	Nine Months Ended 2016	Nine Months Ended 2015
Realized Pricing (Including realized commodity contracts)				
Oil ($/bbl)	$ 59.21	$ 62.54	$ 54.79	$ 66.49
NGL ($/bbl)	$ 28.22	$ 23.48	$ 25.92	$ 32.86
Gas ($/mcf)	$ 2.47	$ 3.27	$ 2.05	$ 3.31
Realized Pricing (Excluding commodity contracts)				
Oil ($/bbl)	$ 57.88	$ 49.93	$ 49.11	$ 55.06
NGL ($/bbl)	$ 18.98	$ 14.80	$ 20.27	$ 24.74
Gas ($/mcf)	$ 2.47	$ 2.84	$ 2.05	$ 2.94
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US$/bbl)	$ 44.95	$ 46.45	$ 41.35	$ 51.00
Edmonton Par (C$/bbl)	$ 55.10	$ 52.35	$ 50.90	$ 57.50
Edmonton Par to WTI differential (US$/bbl)	$ (2.52)	$ (6.66)	$ (2.67)	$ (5.58)
Natural Gas Price Benchmarks				
AECO gas (Cdn$/mcf)	$ 2.30	$ 2.90	$ 1.85	$ 2.75
Foreign Exchange				
U.S./Canadian Dollar Exchange	$ 0.77	$ 0.76	$ 0.76	$ 0.79

Working Capital Summary

The following table summarizes the change in working capital during nine months ended September 30, 2016 and the year ended December 31, 2015:

	2016 - YTD	2015
Adjusted Working capital (deficit) - beginning of period	$ (60,886,556)	$ (59,766,933)
Funds flow from operations	9,482,426	21,413,401
Additions to property and equipment	(17,643,829)	(36,025,121)
Decommissioning costs incurred	(63,638)	(64,178)
Additions to E&E Assets	-	(4,706,547)
Issuance of shares	10,754,031	18,731,470
Other Debt	(30,175)	(468,648)
Adjusted Working capital (deficit) - end of period	$ (58,387,741)	$ (60,886,556)
Credit facility limit	$ 80,000,000	$ 80,000,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2016 Q3	2015 Q3	Nine Months Ended 2016	Nine Months Ended 2015
Land, acquisitions and lease rentals	$ 1,405,870	$ 223,840	$ 1,693,892	$ 800,331
Cash property acquisitions	-	-	3,707,693	-
Drilling and completion	8,360,031	4,779,373	9,760,638	15,372,740
Geological and geophysical	136,404	181,791	729,538	984,260
Equipment	517,188	1,795,225	1,726,000	7,151,209
Other asset additions	16,579	20,219	89,706	193,074
	$ 10,436,072	$ 7,000,448	$ 17,707,467	$ 24,501,614
Exploration & evaluation assets additions	$ -	$ 4,706,547	$ -	$ 4,706,547

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 James Evaskevich, President & CEO 403-262-9558.

Forward looking information

Certain information regarding Yangarra set forth in this news release, including 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. 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**") an, 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.