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# Yangarra Announces 2017 Year End Financial and Operating Results

**March 8, 2018**

**Yangarra Resources Ltd.** ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the year ended December 31, 2017.

2017 Highlights

- Average production of 5,740 boe/d, an increase of 93% from 2016.
- Oil and gas sales were $77.9 million with funds flow from operations of $52.9 million ($0.66 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $54.5 million ($0.68 per share - basic).
- Net income of $19.5 million ($0.24 per share - basic) or $27.3 million before tax.
- Operating costs were $7.77/boe (including $1.03/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were $27.68 per boe.
- Operating margins were 74% and cash flow margins were 69%.
- G&A costs of $0.95/boe.
- Royalties were 8% of oil and gas revenue.
- Total capital expenditures were $83.5 million.
- Net debt (which excludes the current derivative financial instruments) was $93.5 million.
- Wells drilled in 2017 resulted in a corporate half cycle IRR of 105% and a full cycle IRR of 86%.
- Proved Developed Producing reserves increased by 52%, F&D costs were $13.36/boe, the recycle ratio was 2.1 and additions replaced 296% of 2017 production.
- Total Proved reserves increased by 53%, F&D costs were $10.41/boe, the recycle ratio was 2.7 and additions replaced 1025% of 2017 production.
- Proved plus Probable reserves increased by 45%, F&D costs were $9.18/boe, the recycle ratio was 3.1 and additions replaced 1398% of 2017 production.
- Corporate LMR is 8.08

Fourth Quarter Highlights

- Production of 6,721 boe/d (58% liquids), an increase of 109% from the fourth quarter of 2016.
- Oil and gas sales were $25.2 million with funds flow from operations of $17.6 million ($0.22 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $17.5 million ($0.21 per share - basic).
- Net income of $4.7 million ($0.06 per share - basic) or $6.6 million net income before tax.
- Operating costs were $7.46/boe (including $0.97/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were $30.39 per boe.
- Operating margins were 75% and cash flow margins were 70%.
- G&A costs of $1.44/boe, which includes year-end bonuses.
- Royalties were 9% of oil and gas revenue.
- Total capital expenditures were $31.2 million
- Net Debt to annualized fourth quarter funds flow from operations was 1.33 : 1

Operations Update

Yangarra has drilled five wells in 2018, two wells are currently drilling and three additional wells are planned before the end of March. Total wells expected to be drilled in the first quarter will be 10 gross (8.2 net) consisting of 5 gross (4.7 net) two-mile wells and 5 gross (3.5 net) one-mile wells. In addition, the two wells drilling over year-end 2017 were completed in January 2018. With significant snowfall over winter it is likely some of the first quarter wells will not be completed until after breakup.

Drilling and completion costs remain stable compared to Q4 2017 levels, however recent wells are being completed with 80 stages per mile. The Company will assess optimum frack spacing once results from the latest wells are analyzed.

The Company continues to test 100m inter-well spacing and will evaluate offset data from four horizontal well pairs into break-up. Initial frack data indicates no communication at 100m inter-well spacing implying a viable drilling density of 16 wells per section versus the existing inventory spacing assumption of 8-10 wells per section.

A second oil battery, including a truck service facility, has been in service since December 1, 2017; however, production has outgrown both oil batteries so additional capacity will be added with a third oil facility (which will include 12.0 mmcf/d of gas compression). A site has been chosen with target completion scheduled for June 2018.

Yangarra has compared data from the first 10 well bioturbated Cardium program to the second 10 well bioturbated Cardium program and observed average IP30 rates that were 12% higher on the second 10 well program. With the two wells currently drilling, the Company will have drilled 30 wells into the bioturbated Cardium.

Hedging Program Update

The Company's oil hedge position for 2018 consists of 2,600 bbl/d at an average price of C$71.00/bbl for the first half of the year and 2,000 bbl/d at an average price of C$74.88/bbl for the second half of the year. The Company has also hedged 200 bbl/d of propane at US$32.34 for 2018.

## Financial Summary

| | 2017 Q4 | 2017 Q3 | 2016 Q4 | Year Ended 2017 | Year Ended 2016 |
|---|---|---|---|---|---|
| **Statements of Comprehensive Income** | | | | | |
| Petroleum & natural gas sales | $ 25,172,383 | $ 17,663,925 | $ 11,128,298 | $ 77,913,091 | $ 29,213,872 |
| Net income (before tax) | $ 6,598,112 | $ 5,511,977 | $ 1,365,339 | $ 27,345,553 | $ 10,184,658 |
| Net income | $ 4,681,958 | $ 3,975,606 | $ (339,197) | $ 19,485,327 | $ 10,168,751 |
| Net income per share - basic | $ 0.06 | $ 0.05 | $ (0.00) | $ 0.24 | $ 0.14 |
| Net income per share - diluted | $ 0.05 | $ 0.05 | $ (0.00) | $ 0.23 | $ 0.14 |
| **Statements of Cash Flow** | | | | | |
| Funds flow from operations | $ 17,563,628 | $ 12,948,149 | $ 6,781,301 | $ 52,902,651 | $ 16,263,727 |
| Funds flow from operations per share - basic | $ 0.22 | $ 0.16 | $ 0.09 | $ 0.66 | $ 0.22 |
| Funds flow from operations per share - diluted | $ 0.20 | $ 0.15 | $ 0.09 | $ 0.63 | $ 0.22 |
| Cash from operating activities | $ 20,541,872 | $ 13,381,396 | $ 7,382,874 | $ 51,774,874 | $ 16,665,490 |
| **Statements of Financial Position** | | | | | |
| Property and equipment | $ 342,099,959 | $315,064,829 | $ 277,693,631 | $ 342,099,959 | $ 277,693,631 |
| Total assets | $ 378,231,413 | $342,983,774 | $ 299,046,067 | $ 378,231,413 | $ 299,046,067 |
| Working capital deficit | $ 11,210,245 | $ 79,069,633 | $ 66,185,217 | $ 11,210,245 | $ 66,185,217 |
| Net Debt (which excludes current derivative financial instruments) | $ 93,533,252 | $ 80,449,394 | $ 65,005,805 | $ 93,533,252 | $ 65,005,805 |
| Non-Current Liabilities, excluding bank debt | $ 44,366,746 | $ 40,523,942 | $ 34,156,921 | $ 44,366,746 | $ 34,156,921 |
| Shareholders equity | $ 207,956,623 | $202,437,802 | $ 184,113,958 | $ 207,956,623 | $ 184,113,958 |
| Weighted average number of shares - basic | 81,301,744 | 81,033,965 | 79,347,205 | 80,719,934 | 74,635,948 |
| Weighted average number of shares - diluted | 85,748,705 | 84,772,793 | 79,347,205 | 84,156,682 | 75,123,266 |

## Company Netbacks ($/boe)

| | 2017 Q4 | 2017 Q3 | 2016 Q4 | Year Ended 2017 | Year Ended 2016 |
|---|---|---|---|---|---|
| Sales price | $ 40.71 | $ 31.87 | $ 37.93 | $ 37.19 | $ 27.00 |
| Royalty expense | (3.80) | (2.43) | (1.21) | (3.06) | (0.90) |
| Production costs | (6.49) | (5.41) | (7.28) | (6.74) | (7.14) |
| Transportation costs | (0.97) | (1.45) | (1.04) | (1.03) | (1.31) |
| **Field operating netback** | **29.45** | **22.58** | **28.47** | **26.36** | **17.65** |
| Realized gain on commodity contract settlement | 0.93 | 2.95 | 0.77 | 1.32 | 1.94 |
| **Operating netback** | **30.39** | **25.53** | **29.23** | **27.68** | **19.59** |
| G&A | (1.44) | (0.74) | (2.34) | (0.95) | (1.88) |
| Finance expenses | (0.32) | (0.71) | (2.76) | (1.07) | (2.22) |
| **Funds flow netback** | **28.63** | **24.07** | **24.13** | **25.66** | **15.49** |
| Depletion and depreciation | (9.63) | (10.95) | (13.06) | (10.47) | (13.15) |
| E&E Impairment | - | - | - | - | (0.70) |
| Accretion | (0.74) | (0.08) | (0.14) | (0.29) | (0.17) |
| Stock-based compensation | (0.66) | (0.71) | (0.85) | (0.72) | (0.96) |
| Unrealized gain (loss) on financial instruments | (6.92) | (2.39) | (5.36) | (1.13) | (3.18) |
| Gain on Settlement of Lawsuit | - | - | - | - | 12.09 |
| Deferred income tax | (3.10) | (2.77) | (5.80) | (3.75) | (0.01) |
| **Net Income netback** | **$ 7.57** | **$ 7.17** | **$ (1.08)** | **$ 9.30** | **$ 9.40** |

Business Environment

| | 2017 Q4 | 2017 Q3 | 2016 Q4 | Year Ended 2017 | Year Ended 2016 |
|---|---|---|---|---|---|
| **Realized Pricing (Including realized commodity contracts)** | | | | | |
| Oil ($/bbl) | $ 72.70 | $ 60.41 | $ 64.57 | $ 65.61 | $ 58.37 |
| NGL ($/bbl) | $ 40.63 | $ 37.52 | $ 30.07 | $ 35.15 | $ 27.08 |
| Gas ($/mcf) | $ 2.06 | $ 1.88 | $ 3.15 | $ 2.46 | $ 2.29 |
| **Realized Pricing (Excluding commodity contracts)** | | | | | |
| Oil ($/bbl) | $ 72.33 | $ 56.51 | $ 63.39 | $ 64.23 | $ 54.35 |
| NGL ($/bbl) | $ 40.29 | $ 33.39 | $ 28.31 | $ 33.74 | $ 22.51 |
| Gas ($/mcf) | $ 1.77 | $ 1.60 | $ 3.15 | $ 2.25 | $ 2.29 |
| **Oil Price Benchmarks** | | | | | |
| West Texas Intermediate ("WTI") (US$/bbl) | $ 55.40 | $ 48.20 | $ 49.35 | $ 50.84 | $ 43.35 |
| Edmonton Par (C$/bbl) | $ 69.30 | $ 57.05 | $ 62.00 | $ 63.20 | $ 51.90 |
| Edmonton Par to WTI differential (US$/bbl) | $ (0.04) | $ 2.56 | $ 2.85 | $ 2.18 | $ 4.43 |
| **Natural Gas Price Benchmarks** | | | | | |
| AECO gas (Cdn$/mcf) | $ 1.70 | $ 1.45 | $ 3.10 | $ 2.15 | $ 2.15 |
| **Foreign Exchange** | | | | | |
| U.S./Canadian Dollar Exchange | $ 0.80 | $ 0.80 | $ 0.75 | $ 0.77 | $ 0.75 |

## Operations Summary

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

| | 2017 Q4 | 2017 Q3 | 2016 Q4 | Year Ended 2017 | Year Ended 2016 |
|---|---|---|---|---|---|
| **Daily production volumes** | | | | | |
| Natural gas (mcf/d) | 16,782 | 16,142 | 8,342 | 14,901 | 9,586 |
| Oil (bbl/d) | 2,687 | 2,380 | 1,248 | 2,295 | 856 |
| NGL's (bbl/d) | 1,237 | 955 | 557 | 962 | 503 |
| Combined (boe/d 6:1) | 6,721 | 6,025 | 3,216 | 5,740 | 2,982 |
| **Revenue** | | | | | |
| Petroleum & natural gas sales - Gross | $ 25,172,383 | $ 17,663,925 | $ 11,149,691 | $ 77,913,091 | $ 29,213,872 |
| Realized gain on commodity contract settlement | 577,551 | 1,632,783 | 225,697 | 2,773,986 | 2,102,795 |
| Total sales | 25,749,934 | 19,296,708 | 11,375,388 | 80,687,077 | 31,316,667 |
| Royalty expense | (2,348,635) | (1,344,746) | (356,186) | (6,411,927) | (979,164) |
| Total Revenue - Net of royalties | $ 23,401,299 | $ 17,951,962 | $ 11,019,202 | $ 74,275,150 | $ 30,337,503 |

### Working Capital Summary

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

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Net Debt - beginning of period | $ | (65,005,805) | $ | (60,886,556) |
| | | | | |
| Funds flow from operations | | 52,902,650 | | 16,263,727 |
| Additions to property and equipment | | (83,472,094) | | (27,672,766) |
| Property Acquisition | | - | | (3,707,693) |
| Decommissioning costs incurred | | (95,433) | | (180,862) |
| Issuance of shares | | 2,179,593 | | 11,218,610 |
| Other Debt | | (42,163) | | (40,265) |
| Net Debt - end of period | $ | (93,533,252) | $ | (65,005,805) |
| | | | | |
| Credit facility limit | $ | 120,000,000 | $ | 80,000,000 |

### Capital Spending

Capital spending is summarized as follows:

| | 2017 | | 2016 | Year Ended | |
|---|---|---|---|---|---|
| Cash additions | Q4 | Q3 | Q4 | 2017 | 2016 |
| Land, acquisitions and lease rentals | $ 1,163,261 | $ 3,503,852 | $ 385,257 | $ 7,164,597 | $ 2,079,149 |
| Cash property acquisitions | - | - | - | - | 1,400,000 |
| Drilling and completion | 25,406,328 | 14,939,137 | 10,714,791 | 64,309,093 | 19,075,429 |
| Geological and geophysical | 262,675 | 134,283 | 184,458 | 824,760 | 913,996 |
| Equipment | 4,311,988 | 2,248,622 | 2,359,067 | 10,853,654 | 4,085,067 |
| Other asset additions | 20,023 | 84,631 | 29,419 | 319,990 | 119,125 |
| | $ 31,164,275 | $ 20,910,525 | $ 13,672,992 | $ 83,472,094 | $ 27,672,766 |

### Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday May 10, 2018 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

### Year End Disclosure

The Company's financial statements, notes to the financial statements, management's discussion and analysis and annual information form 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.*

*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.*

***Finding and Development Costs ("F&D") and Recycle Ratios***

*F&D costs are calculated by dividing the identified capital expenditures by the applicable reserves additions. F&D costs can include or exclude changes to future development capital costs.*

*Recycle Ratio is calculated as operating netback divided by F&D 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.*