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Yangarra Announces First Quarter 2017 Financial and Operating Results

May 11, 2017

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

First Quarter Highlights

- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$10.9 million (\$0.13 per share - basic).
- Oil and gas sales were \$15.5 million with funds flow from operations of \$10.3 million (\$0.13 per share - basic).
- Net income of \$5.2 million (\$0.07 per share - basic) or \$7.3 million net income before tax.
- Production of 4,483 boe/d (59 % liquids).
- Operating costs were \$7.93 /boe (including \$0.94 /boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were \$27.77 per boe.
- Operating margins were 72% and cash flow margins were 67%.
- G&A costs of \$0.51/boe.
- Royalties were 8% of oil and gas revenue.
- Total capital expenditures were \$23.5 million
- Net debt (which excludes the current derivative financial instruments) was \$77.6 million
- Net Debt to annualized first quarter funds flow from operations was 1.88 : 1
- Corporate LMR is 5.67

Operations Update

Yangarra has now completed the 10 well capital program that commenced in August of 2016 with all wells on-stream as of April 2017. The Company made significant changes to its drill and complete program over the 10 well program which resulted in higher flowing pressures, higher flow rates and better than expected internal rates of return ("IRR"). These changes included drilling deeper in the Cardium zone into the bioturbated section, increasing frack intensity to more than 50 stages per mile, reducing inter-well spacing and holding more back pressure on wells in their initial production phase. Several additional changes have been identified which will improve costs and productive capability for the next drilling program. Average drilling and completion costs for the 10 well program were approximately \$1,280 per lateral meter.

The earliest wells in the 10 well program are now approaching 200 days of production, initial results indicate higher flow rates and lower declines than previous drill programs. Yangarra intends to revise its Cardium type curves in June 2017 and once that process is complete the Company will provide amended guidance for 2017.

IP rates on wells 7-10 of the 10 well program are as follows:

102/16-15-44-10W5 ⁽¹⁾ (2.0 mile) (102 stages & 1,533 tons of sand)	IP 35	662 boe/d (38% liquids)
100/01-34-39-8W5 (2.0 mile) (105 stages & 1,535 tons of sand)	IP 27	1,017 boe/d (80% liquids)
100/05-19-41-7W5 ⁽²⁾ (2.0 mile) (109 stages & 1,640 tons of sand)	Clean-up phase (Day 1-50) Production phase (Day 51-65)	130 boe/d (98% liquids) 173 boe/d (94% liquids)
100/03-23-37-8W5 (2.0 mile) (104 stages & 1,565 tons of sand)	IP 37	313 boe/d (69% liquids)

(1) Well restricted due to capacity constraints

(2) Well on pump, started flowing recently

Current production, with flush volumes from new wells, is approximately 6,000 boe/d.

Yangarra continues its success in consolidating working interest in existing Cardium acreage. In addition, the Company has added 55 future locations on new lands (based on 1 mile laterals) to its inventory in 2017.

Financial Summary

	2017	2016	
	Q1	Q4	Q1
Statements of Comprehensive Income			
Petroleum & natural gas sales	\$ 15,539,302	\$ 11,128,298	\$ 6,315,833
Net income (before tax)	\$ 7,341,733	\$ 1,365,339	\$ 11,631,203
Net income	\$ 5,216,545	\$ (339,197)	\$ 11,878,454
Net income per share - basic	\$ 0.07	\$ (0.00)	\$ 0.18
Net income per share - diluted	\$ 0.06	\$ (0.00)	\$ 0.18
Statements of Cash Flow			
Funds flow from operations	\$ 10,343,203	\$ 6,781,301	\$ 3,359,129
Funds flow from operations per share - basic	\$ 0.13	\$ 0.09	\$ 0.05
Funds flow from operations per share - diluted	\$ 0.12	\$ 0.09	\$ 0.05
Cash from operating activities	\$ 8,610,412	\$ 7,382,874	\$ 2,090,799
Statements of Financial Position			
Property and equipment	\$ 297,327,854	\$ 277,693,631	\$ 263,236,648
Total assets	\$ 322,741,856	\$ 299,046,067	\$ 284,196,765
Working capital deficit	\$ 77,233,927	\$ 66,185,217	\$ 60,242,082
Adjusted working capital deficit (which excludes current derivative financial instruments)	\$ 77,646,963	\$ 65,005,805	\$ 62,450,536
Non-Current Liabilities	\$ 36,541,365	\$ 34,156,921	\$ 36,322,622
Shareholders equity	\$ 190,315,027	\$ 184,113,958	\$ 173,434,409
Weighted average number of shares - basic	79,970,061	79,347,205	67,681,804
Weighted average number of shares - diluted	82,872,845	79,347,205	67,681,804

Net income for the three months ended March 31, 2016 includes \$13,082,687 for a gain on settlement of lawsuit.

Company Netbacks (\$/boe)

	2017		2016	
	Q1	Q4	Q1	
Sales price	\$ 38.52	\$ 37.85	\$ 21.87	
Royalty income	0.02	0.07	0.11	
Royalty expense	(3.05)	(1.21)	(0.81)	
Production costs	(6.99)	(7.28)	(7.28)	
Transportation costs	(0.94)	(1.04)	(1.62)	
Field operating netback	27.56	28.39	12.27	
Realized gain on commodity contract settlement	0.21	0.77	3.44	
Operating netback	27.77	29.16	15.71	
G&A	(0.51)	(2.34)	(2.02)	
Finance expenses	(1.59)	(2.76)	(1.87)	
Funds flow netback	25.67	24.05	11.82	
Depletion and depreciation	(10.85)	(13.06)	(13.31)	
E&E Impairment	-	-	(2.62)	
Accretion	(0.11)	(0.14)	(0.17)	
Stock-based compensation	(0.82)	(0.85)	(1.12)	
Unrealized gain (loss) on financial instruments	4.31	(5.36)	0.37	
Gain on Settlement of Lawsuit	-	-	45.31	
Deferred income tax	(5.27)	(5.80)	0.86	
Net Income netback	\$ 12.93	\$ (1.15)	\$ 41.14	

Business Environment

	2017		2016	
	Q1	Q4	Q1	
Realized Pricing (Including realized commodity contracts)				
Oil (\$/bbl)	\$ 64.67	\$ 64.57	\$ 43.70	
NGL (\$/bbl)	\$ 30.43	\$ 30.07	\$ 22.99	
Gas (\$/mcf)	\$ 3.09	\$ 3.15	\$ 2.55	
Realized Pricing (Excluding commodity contracts)				
Oil (\$/bbl)	\$ 64.35	\$ 63.39	\$ 35.57	
NGL (\$/bbl)	\$ 29.96	\$ 28.31	\$ 16.99	
Gas (\$/mcf)	\$ 3.09	\$ 3.15	\$ 2.55	
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 51.91	\$ 49.35	\$ 33.45	
Edmonton Par (C\$/bbl)	\$ 64.25	\$ 62.00	\$ 34.50	
Edmonton Par to WTI differential (US\$/bbl)	\$ (3.34)	\$ (2.85)	\$ (8.27)	
Natural Gas Price Benchmarks				
AECO gas (Cdn\$/mcf)	\$ 2.94	\$ 3.10	\$ 2.11	
Foreign Exchange				
U.S./Canadian Dollar Exchange	\$ 0.76	\$ 0.75	\$ 0.73	

Operations Summary

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

	2017	2016	
	Q1	Q4	Q1
Daily production volumes			
Natural gas (mcf/d)	10,984	8,272	10,366
Oil (bbl/d)	1,836	1,248	971
NGL's (bbl/d)	806	548	449
Royalty income			
Natural gas (mcf/d)	35	70	95
Oil (bbl/d)	-	0	1
NGL's (bbl/d)	3	9	8
Combined (boe/d 6:1)	4,483	3,195	3,173
Revenue			
Petroleum & natural gas sales - Gross	\$ 15,539,302	\$ 11,128,298	\$ 6,315,833
Royalty income	10,086	21,393	30,370
Realized gain on commodity contract settlement	85,918	225,697	992,420
Total sales	15,635,306	11,375,388	7,338,623
Royalty expense	(1,231,175)	(356,186)	(233,391)
Total Revenue - Net of royalties	\$ 14,404,131	\$ 11,019,202	\$ 7,105,232

Working Capital Summary

The following table summarizes the change in working capital during the three months ended March 31, 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	10,343,203	16,263,727
Additions to property and equipment	(23,496,262)	(27,672,766)
Property Acquisition	-	(3,707,693)
Decommissioning costs incurred	-	(180,862)
Issuance of shares	522,307	11,218,610
Other Debt	(10,406)	(40,265)
Adjusted Working capital (deficit) - end of period	\$ (77,646,963)	\$ (65,005,805)
Credit facility limit	\$ 80,000,000	\$ 80,000,000

Capital Spending

Capital spending is summarized as follows:

	2017		2016
Cash additions	Q1	Q4	Q1
Land, acquisitions and lease rentals	\$ 770,915	\$ 385,257	\$ 301,113
Cash property acquisitions	-	-	3,707,693
Drilling and completion	19,664,385	10,714,791	510,244
Geological and geophysical	143,792	184,458	208,147
Equipment	2,910,272	2,359,067	113,388
Other asset additions	6,898	29,419	72,537
	\$ 23,496,262	\$ 13,672,992	\$ 4,913,122

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Monday May 15, 2017 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

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.