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Yangarra Announces 2015 Year End Financial and Operating Results

March 16, 2016

Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the year ended December 31, 2015.

2015 Highlights

- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $22.9 million ($0.36 per share - basic).
- Oil and gas sales were $25.1 million with funds flow from operations of $21.4 million ($0.34 per share - basic).
- Net loss of $4.8 million ($0.07 per share - basic) or $3.0 million before tax including a $5.4 million impairment of exploration & evaluation assets in the North Duvernay block.
- Production of 2,392 boe/d.
- Operating costs were $8.98/boe (including $1.59/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were $29.02 per boe. Field net backs, which do not include the impact of commodity contracts were $18.43.
- G&A costs of $1.91/boe.
- Royalties were 6% of oil and gas revenue excluding commodity contracts and 4% of oil and gas revenue including commodity contracts.
- Total capital expenditures were $40.7 million.
- Raised $20 million of capital in May of 2015
- Net debt (which excludes the current derivative financial instruments) was $60.9 million up from $59.8 million at 2014 year end.
- Cemented liners and extended reach wells resulted in a corporate full cycle internal rate of return (“IRR”) of 31% for 2015.
- Proved plus probable finding and development costs were $2.83/boe and 462% of the 2015 production was replaced.

Fourth Quarter Highlights

- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $4.5 million, funds flow from operations was $4.2 million with a net loss of $0.2 million.
- Fourth quarter 2015 production of 2,624 boe/d is a decrease of 14% compared to the 3,035 boe/d in the comparable period in 2014. Field netbacks were $15.07/boe, operating netbacks, which includes commodity contracts were $21.80/boe.
- Capital expenditures were $11.4 million in the fourth quarter of 2015. During the fourth quarter, the Company drilled and completed two wells and completed three additional wells that were drilled earlier in the year.

Hedging Program Update

The Company's hedge position for 2016 consists of:

- 400 bbl/d costless collar with a floor of C$73.45 WTI/bbl and a ceiling of C$85.00 WTI/bbl
- 400 bbl/d Edmonton par to WTI differential at US$3.95/bbl
- 200 bbl/d at C$54.00 WTI/bbl April – June

2016 Capital Budget and Guidance

The Company's Board of Directors has approved an initial capital budget of $24 million in 2016.

The capital budget includes drilling of eight Cardium wells in the second half of 2016 and the completion of the standing Duvernay well.

The budget is expected to increase the Company's annual production to 2,750 - 3,000 boe/d with cash flow from operations estimated at $22 million.

The Company expects year-end 2016 debt of $63 million resulting in a debt to annual cash flow ratio of 2.9 to 1 with debt to cash flow improving to less than 2 to 1 on fourth quarter annualized cash flow. The budget assumes an average price of US$42.00/bbl for WTI crude oil (CDN$51.55 bbl Edmonton par) and an average price of $2.00/GJ for AECO natural gas.

The annual review of senior debt is scheduled for May 2016.

Financial Summary

	Year Ended 2015	Year Ended 2014
Statements of Comprehensive Income		
Petroleum & natural gas sales	$ 25,138,007	$ 54,582,213
Net income (loss) (before tax)	$ (3,024,696)	$ 33,413,237
Net income (loss)	$ (4,781,170)	$ 24,371,606
Net income (loss) per share - basic and diluted	$ (0.07)	$ 0.45
Statements of Cash Flow		
Funds flow from operations	$ 21,413,401	$ 38,325,988
Funds flow from operating activities per share - basic and diluted	$ 0.34	$ 0.70
Cash from operating activities	$ 21,449,863	$ 31,663,428
Statements of Financial Position		
Property and equipment	$ 243,709,385	$ 218,154,343
Total assets	$ 266,545,156	$ 250,491,053
Working capital deficit	$ 58,848,094	$ 51,399,838
Adjusted working capital deficit (which excludes current derivative financial instruments)	$ 60,886,556	$ 59,766,933
Non-Current Liabilities	$ 30,490,615	$ 26,382,773
Shareholders equity	$ 161,133,141	$ 147,838,197
Weighted average number of shares - basic	63,847,376	54,581,750
Weighted average number of shares - diluted	63,847,376	55,793,173

Company Netbacks ($/boe)

	Year Ended 2015	Year Ended 2014
Sales price	$ 28.77	$ 52.10
Royalty income	0.30	0.81
Royalty expense	(1.66)	(3.35)
Production costs	(7.39)	(6.89)
Transportation costs	(1.59)	(1.58)
Field operating netback	**18.43**	**41.10**
Commodity contract settlement [1]	10.60	(0.49)
Operating netback	**29.02**	**40.62**
G&A and other (excludes non-cash items)	(1.91)	(2.05)
Finance expenses	(2.87)	(2.36)
Funds flow netback	**24.24**	**36.21**
Depletion and depreciation	(13.29)	(15.88)
E&E Impairment	(6.19)	-
Accretion	(0.20)	(0.16)
Stock-based compensation	(0.94)	(0.70)
Unrealized gain (loss) on financial instruments	(7.07)	12.43
Deferred income tax	(2.01)	(8.63)
Net Income (loss) netback	**$ (5.47)**	**$ 23.26**

(1) Includes $4 million relating to the monetization of certain commodity contracts in January 2015.

Operations Summary

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

	Year Ended 2015	2014
Daily production volumes		
Natural gas (mcf/d)	7,722	8,514
Oil (bbl/d)	726	1,022
NGL's (bbl/d)	333	364
Royalty income		
Natural gas (mcf/d)	196	271
Oil (bbl/d)	0	1
NGL's (bbl/d)	13	20
Combined (boe/d 6:1)	2,392	2,870
Revenue		
Petroleum & natural gas sales - Gross	$ 25,138,007	$ 54,582,213
Royalty income	263,004	853,203
Commodity contract settlement [1]	9,258,286	(510,369)
Total sales	34,659,297	54,925,047
Royalty expense	(1,452,385)	(3,505,935)
Total Revenue - Net of royalties	$ 33,206,912	$ 51,419,112

(1) Includes $4 million relating to the monetization of certain commodity contracts in January 2015.

Working Capital Summary

The following table summarizes the change in working capital during the year ended December 31, 2015 and December 31, 2014:

	2015	2014
Adjusted Working capital (deficit) - beginning of period	$ (59,766,933)	$ (36,794,243)
Funds flow from operations	21,413,401	38,325,988
Additions to property and equipment	(36,025,121)	(78,125,708)
Additions to E&E Assets	(4,706,547)	(1,680,941)
Issuance of shares	18,731,470	26,408,338
Issuance (repayment) of Subordinated Debt	-	(7,786,632)
Decommissioning costs incurred	(64,178)	(76,361)
Other Debt	(468,648)	(37,374)
Adjusted Working capital (deficit) - end of period	$ (60,886,556)	$ (59,766,933)
Credit facility limit	$ 80,000,000	$ 70,000,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	Year Ended 2015	2014
Land, acquisitions and lease rentals	$ 1,095,270	$ 1,188,777
Property acquisitions (Farm-in drilling)	1,760,152	2,627,312
Drilling and completion	23,492,434	65,125,540
Geological and geophysical	1,164,679	1,612,737
Equipment	8,307,293	7,569,877
Other asset additions	205,295	1,465
	$ 36,025,123	$ 78,125,708
Exploration & evaluation assets additions	$ 4,706,547	$ -

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday May 26, 2016 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, including expected increase in the Company's annual production levels in connection with the 2016 capital budget of $24 million, anticipated year end debt of $63 million and the resulting debt to annual cash flow ratio of 2.9 to 1 with debt to cash flowing improving to less than 2 to 1 on fourth quarter annualized cash flow, 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.