



Suite 1530, 715 – 5 Avenue S.W. Calgary, Alberta T2P 2X6
Phone: (403) 262-9558 Fax: (403) 262-8281
Webpage: www.yangarra.ca Email: info@yangarra.ca

Yangarra Announces Second Quarter 2016 Financial and Operating Results

August 10, 2016

Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three and six months ended June 30, 2016.

Second Quarter 2016 Highlights

- Production averaged 2,849 boe/d.
- Cash costs totaled \$12.66/boe
 - Operating costs of \$7.01/boe.
 - Transportation costs of \$1.41/boe.
 - Royalties of \$0.45/boe (2% of revenue).
 - G&A costs of \$1.48/boe.
 - Finance and interest costs of \$2.31/boe.
- Oil and gas sales were \$5.7 million with funds flow from operations of \$2.8 million (\$0.04 per share - basic).
- Net loss of \$0.9 million (\$0.01 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$3.2 million (\$0.04 per share - basic).
- Operating netbacks, which include the impact of commodity contracts, were \$14.84 per boe. Field net backs, excluding the impact of commodity contracts were \$13.24.
- Total cash capital expenditures were \$2.4 million.
- Net debt (excluding the current value of derivative instruments) was \$51.3 million down from \$60.9 million at 2015 year end.
- Re-signed credit facility agreement with Alberta Treasury Branches ("ATB") renewing the existing \$80 million senior line. All other terms remained the same and the next review is scheduled for May 31, 2017.
- Completed an equity financing agreement, on a bought deal basis, for gross proceeds of \$11.5 million.

Operations Update

Given challenging commodity prices, Yangarra has not drilled any wells since October 2015. During the intervening period, the focus has been on acquiring and concentrating its Cardium acreage in central Alberta. The downturn has created opportunities to acquire highly prospective Cardium land that is seldom seen in Willesden Green and Ferrier and Yangarra has added approximately 20 gross sections through multiple transactions. Drilling is scheduled to start this month with six extended reach wells ("ERW") planned for the balance of the year.

The adoption in 2015 of cemented liners, sliding sleeves and extended reach drilling has significantly improved economics with lower costs, higher production rates and shallower declines. While reduced field costs have been significant, these new drilling and completion techniques will continue to drive better economics when commodity prices improve.

In 2015, the company drilled six Cardium wells of which three were ERW. With the production history of these ERWs, Yangarra now has a better understanding of the productive capability and economics of its ERW Cardium inventory. The Company has received approval to include the 2016 wells under the new royalty framework which will further improve its well economics.

In addition, Yangarra continued efforts to reduce costs and stream-line operations. The Company constructed a crude oil/emulsion treating facility during the second quarter and acquired trucks and personnel to transport the wet crude from pad-sites to the central facility. The facility commenced operations July 1st and has resulted in significant operating cost savings, as well as better realized oil pricing due to blending and delivery optionality provided from having a dry oil stream. Yangarra expects payout of the project costs to be less than six months.

Yangarra owns a total of 23 mmcf/d of gas processing capacity in central Alberta through three separate facilities, providing ample capacity for future drill programs. In some cases, third party processing is also utilized due to proximity of solution gas pipelines. Upon review in Q2, Yangarra has identified two instances to transfer solution gas to more competitive operators. The first project is complete with an expected payout of seven months and the second project is expected to be completed by September 1, 2016.

Yangarra currently has 62 standing or suspended wells and a corporate Liability Management Ratio ("LMR") of 4.78. Company staff has commenced operations to abandon approximately 40% of these wells with a total budget of \$150,000. With recovery and recycling of spare equipment the Company will recover the capital costs of abandoning the wells immediately. In addition, reduced annual crown lease costs and annual surface lease rental savings will result in significant savings go forward.

Duvernay Update

At the end of the second quarter, Yangarra commenced completion of its standing Duvernay well. Using a perf and plug completion style, a total of 16 stages with 5 perf clusters per stage (minimum entry) were treated. 950 pounds per foot of sand and 10 million gallons of water were pumped with all stages successfully stimulated for a project cost of \$3.2 million.

Seismic recorders were in place during the frack with no unexpected seismic activity recorded. The well is secured and will be allowed soak time to absorb the frack water. A tie-in into Company owned facilities is currently in the planning stage with production anticipated in the fourth quarter.

Financial Summary

	2016	2015	Six Months Ended	
	Q2	Q2	2016	2015
Statements of Comprehensive Income				
Petroleum & natural gas sales	\$ 5,694,831	\$ 6,010,973	\$ 12,010,664	\$ 13,164,147
Net income (before tax)	\$ (2,667,159)	\$ (2,390,401)	\$ 8,963,944	\$ (1,023,089)
Net income	\$ (899,623)	\$ (3,202,592)	\$ 10,978,731	\$ (2,257,475)
Net income per share - basic and diluted	\$ (0.01)	\$ (0.05)	\$ 0.16	\$ (0.04)
Statements of Cash Flow				
Funds flow from operations	\$ 2,791,331	\$ 3,627,985	\$ 6,150,460	\$ 13,019,339
Funds flow from operating activities per share - basic and diluted	\$ 0.04	\$ 0.06	\$ 0.09	\$ 0.22
Cash from operating activities	\$ 2,325,650	\$ 4,464,139	\$ 4,416,449	\$ 10,495,061
Statements of Financial Position				
Property and equipment	\$ 262,739,509	\$ 230,153,013	\$ 262,739,509	\$ 230,153,013
Total assets	\$ 282,054,890	\$ 253,348,412	\$ 282,054,890	\$ 253,348,412
Working capital deficit	\$ 51,378,760	\$ 44,608,443	\$ 51,378,760	\$ 44,608,443
Adjusted working capital deficit (which excludes current derivative financial instruments)	\$ 51,273,024	\$ 45,531,303	\$ 51,273,024	\$ 45,531,303
Non-Current Liabilities	\$ 34,277,081	\$ 30,118,786	\$ 34,277,081	\$ 30,118,786
Shareholders equity	\$ 183,846,133	\$ 162,892,249	\$ 183,846,133	\$ 162,892,249
Weighted average number of shares - basic	72,231,254	62,118,881	69,956,529	59,949,395
Weighted average number of shares - diluted	72,231,254	62,118,881	69,956,529	59,949,395

Company Netbacks (\$/boe)

	2016	2015	Six Months Ended	
	Q2	Q2	2016	2015
Sales price	\$ 21.97	\$ 30.65	\$ 21.92	\$ 30.34
Royalty income	0.13	0.26	0.12	0.26
Royalty expense	(0.45)	(1.15)	(0.64)	(1.44)
Production costs	(7.01)	(8.22)	(7.15)	(7.19)
Transportation costs	(1.41)	(1.71)	(1.52)	(1.48)
Field operating netback	13.24	19.84	12.73	20.50
Realized gain on commodity contract settlement	1.61	4.20	2.57	14.48
Operating netback	14.84	24.04	15.30	34.98
G&A	(1.48)	(2.27)	(1.76)	(2.21)
Finance expenses	(2.31)	(2.83)	(2.08)	(3.42)
Funds flow netback	11.05	18.94	11.46	29.35
Depletion and depreciation	(12.87)	(13.63)	(13.10)	(13.78)
E&E Impairment	-	-	(1.38)	-
Accretion	(0.19)	(0.20)	(0.18)	(0.19)
Stock-based compensation	(1.07)	(0.67)	(1.10)	(0.57)
Unrealized gain (loss) on financial instruments	(7.22)	(16.63)	(3.22)	(17.17)
Gain on Settlement of Lawsuit	-	-	23.87	-
Deferred income tax	6.82	(4.14)	3.68	(2.84)
Net Income netback	\$ (3.47)	\$ (16.33)	\$ 20.03	\$ (5.20)

Operations Summary

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

	2016	2015	Six Months Ended	
	Q2	Q2	2016	2015
Daily production volumes				
Natural gas (mcf/d)	10,021	7,992	10,194	8,353
Oil (bbl/d)	633	554	802	668
NGL's (bbl/d)	516	238	482	300
Royalty income				
Natural gas (mcf/d)	106	147	101	171
Oil (bbl/d)	-	-	1	-
NGL's (bbl/d)	12	7	10	9
Combined (boe/d 6:1)	2,849	2,155	3,011	2,397
Revenue				
Petroleum & natural gas sales - Gross	\$ 5,694,831	\$ 6,010,973	\$ 12,010,664	\$ 13,164,147
Royalty income	34,837	51,428	65,207	114,278
Realized gain on commodity contract settlement	416,573	824,490	1,408,993	6,282,231
Total sales	6,146,241	6,886,891	13,484,864	19,560,656
Royalty expense	(116,747)	(225,059)	(350,138)	(624,203)
Total Revenue - Net of royalties	\$ 6,029,494	\$ 6,661,832	\$ 13,134,726	\$ 18,936,453

	2016	2015	Six Months Ended	
	Q2	Q2	2016	2015
Realized Pricing (Including realized commodity contracts)				
Oil (\$/bbl)	\$ 65.43	\$ 74.96	\$ 53.21	\$ 68.60
NGL (\$/bbl)	\$ 26.54	\$ 30.64	\$ 24.81	\$ 38.09
Gas (\$/mcf)	\$ 1.20	\$ 3.28	\$ 1.86	\$ 3.32
Realized Pricing (Excluding commodity contracts)				
Oil (\$/bbl)	\$ 60.01	\$ 66.97	\$ 45.97	\$ 57.79
NGL (\$/bbl)	\$ 24.37	\$ 24.62	\$ 20.89	\$ 30.29
Gas (\$/mcf)	\$ 1.20	\$ 2.89	\$ 1.86	\$ 2.98
Oil Price Benchmarks				
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 45.60	\$ 57.94	\$ 39.55	\$ 53.29
Edmonton Par (C\$/bbl)	\$ 55.80	\$ 67.71	\$ 45.15	\$ 59.82
Edmonton Par to WTI differential (US\$/bbl)	\$ (2.08)	\$ (3.09)	\$ (5.69)	\$ (4.84)
Natural Gas Price Benchmarks				
AECO gas (Cdn\$/mcf)	\$ 1.25	\$ 2.67	\$ 1.68	\$ 2.81
Foreign Exchange				
U.S./Canadian Dollar Exchange	\$ 0.78	\$ 0.81	\$ 0.75	\$ 0.81

Working Capital Summary

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

	2016	2015
Adjusted Working capital (deficit) - beginning of period	\$ (60,886,556)	\$ (59,766,933)
Funds flow from operations	6,150,460	21,413,401
Additions to property and equipment	(7,271,395)	(36,025,121)
Additions to E&E Assets	-	(4,706,547)
Issuance of shares	10,754,549	18,731,470
Decommissioning costs incurred	-	(64,178)
Other Debt	(20,082)	(468,648)
Adjusted Working capital (deficit) - end of period	\$ (51,273,024)	\$ (60,886,556)
Credit facility limit	\$ 80,000,000	\$ 80,000,000

Capital Spending

Capital spending is summarized as follows:

	2016	2015	Six Months Ended	
	Q2	Q2	2016	2015
Cash additions				
Land, acquisitions and lease rentals	\$ 136,909	\$ 515,989	\$ 288,022	\$ 576,491
Cash property acquisitions	-	-	3,707,693	-
Drilling and completion	890,365	4,045,835	1,400,603	10,593,367
Geological and geophysical	234,987	435,890	593,134	802,469
Equipment	1,095,424	3,094,615	1,208,812	5,355,984
Other asset additions	590	168,535	73,127	172,855
	\$ 2,358,275	\$ 8,260,864	\$ 7,271,391	\$ 17,501,166

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") 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.