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Yangarra Announces Third Quarter 2013 Financial and Operating Results and Provides 2014 Guidance

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Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSXV:YGR) announces its financial and operating results for the three and nine months ended September 30, 2013 and provide 2014 guidance.

Q3 2013 highlights are as follows:

- Production averaged 2,238 boe/d (46% oil and NGL's).
- Operating costs including $1.47/boe of transportation costs were $6.92/boe which represents a 3% decrease from Q2 of 2013.
- Oil and gas sales including royalty income and realized commodity contracts was $9.2 million with funds flow from operations of $6.4 million ($0.05 per share - basic).
- Netback of $34.56 per boe is a 14% decrease from the $40.30 per boe reported in the second quarter of 2013. Realized prices were $44.89/boe down 8% from $48.95/boe in the second quarter of 2013 primarily due to realized hedging losses.
- G&A expenses were $1.76/boe which represents a 10% decrease from the second quarter of 2013.
- Capital expenditures of $8.6 million focused on drilling and infrastructure in Central Alberta.
- As at September 30, 2013, the Company was in a net debt position of $43 million compared to $34 million at December 31, 2012.
- The debt to annualized third quarter cash flow ratio was 1.7 to 1.0.
- Closed a 47 section Cardium Farm-In Agreement in the Willesden Green Area with an industry major.
- Completed a subordinated term loan facility of up to $20 million with Alberta Treasury Branches.

Operations Update

The Company drilled and completed 10 gross (5.5 net) wells during the first three quarters of 2013 (1 gross, 0.14 net were non-operated), in addition 2 gross (0.6 net) wells that were drilled in 2012 were completed in 2013. With the reduced drilling times the Company now expects 6 gross (5.7 net) wells to be drilled during the fourth quarter of 2013.

Yangarra continues to experience lower drilling costs with average costs of $490/meter in 2013 compared with average drilling costs of $614/meter in 2012 and $691/meter in 2011. The Company drilled its two most recent Cardium wells at a cost of $450/meter. The Company's completion costs are also lower with a cost of $60,000 per stage in 2013 compared with $107,000 per stage in 2012 and $161,000 per stage in 2011.

During the third quarter, the Company encountered mechanical issues due to the failure of an activation sub, resulting in approximately 1.6 m^3 of cement entering the horizontal section on the first well of a two well Glauconite pad site which will delay the on-stream date of the first well from November 1st to December 15th. Due to the complexity of the completion operation, costs will increase by approximately $500,000. The Company placed the second well on-stream November 1st at 500 boe/d.

In the fourth quarter Yangarra purchased 1.5 sections of Cardium land, with six (6) net drilling locations indentified, bringing the Company's total Cardium inventory to 105 gross (78 net). Yangarra also has 40 gross (26 net) Hoadley Glauconite locations in inventory. In addition, Yangarra purchased one section of Duvernay rights land offsetting its existing land position in south Willesden Green.

2013 Guidance update

Yangarra's capital spending for 2013 is updated to $40 million versus the previously guided $35 million. Due to the drilling of additional oil targets versus liquids rich natural gas, the Company's 2013 annual production is now forecast to be 2,200 boe/d down from 2,400 boe/d; with cash flow expected to be within the previous guidance range of $25-30 million at $27 million for the year. The Company expects to exit the 2013 year at 3,000 boe/d with year-end debt forecast at $49 million resulting in a 1.4 to 1.0 debt to annualized fourth quarter cash flow ratio.

2014 Capital Budget and Guidance

The Board of Directors has approved an initial capital budget for $45 million in 2014, drilling 15.5 net wells focused on the development of Yangarra's Cardium light oil play. The budget is expected to increase the Company's annual production to 3,200 boe/d with cash flow from operations estimated at $40 million ($0.33/share). The Company expects year-end 2014 debt of $55 million resulting in a debt to annual cash flow ratio of 1.4 to 1.0. The budget assumes an average price of US$95.00/bbl for WTI crude oil (CDN$85.00/bbl Edmonton par) and an average price of $3.00/GJ for AECO natural gas.

Financial Summary

	2013 Q3	2013 Q2	2012 Q3	Nine Months Ended 2013	Nine Months Ended 2012
Statements of Comprehensive Income (Loss)					
Petroleum & natural gas sales	$ 9,372,931	$ 7,747,389	$ 4,311,738	$ 23,638,701	$ 16,484,814
Net income (loss) for the period (before tax)	$ 39,646	$ 2,923,438	$ (3,037,649)	$ 2,569,798	$ 2,430,940
Net income (loss) for the period	$ 11,330	$ 2,082,942	$ (2,073,174)	$ 1,834,848	$ (558,335)
Net income (loss) per share - basic and diluted	$ 0.00	$ 0.02	$ (0.02)	$ 0.02	$ (0.00)
Statements of Cash Flow					
Funds flow from (used in) operating activities	$ 6,378,207	$ 6,480,689	$ 2,780,520	$ 17,673,078	$ 11,420,077
Funds flow from (used in) operating activities per share - basic and diluted	$ 0.05	$ 0.05	$ 0.02	$ 0.15	$ 0.09
Cash from (used in) operating activities	$ 3,683,552	$ 8,183,515	$ 5,902,746	$ 16,319,945	$ 12,853,084
Statements of Financial Position					
Property and equipment	$ 135,892,343	$ 130,846,089	$ 122,723,826	$ 135,892,343	$ 122,723,826
Total assets	$ 154,773,403	$ 144,353,167	$ 138,820,924	$ 154,773,403	$ 138,820,924
Working Capital (deficit), excluding MTM on commodity contracts	$ 42,594,542	$ 40,459,011	$ 35,450,284	$ 42,594,542	$ 35,450,284
Non-Current Liabilities	$ 13,971,180	$ 13,197,200	$ 14,557,606	$ 13,971,180	$ 14,557,606
Shareholders equity	$ 82,022,213	$ 81,826,383	$ 79,349,142	$ 82,022,213	$ 79,349,142
Weighted average number of shares - basic	121,718,245	121,711,723	121,711,723	121,713,921	120,311,001
Weighted average number of shares diluted	121,987,009	121,722,178	121,711,723	121,713,921	120,343,320

Company Netbacks ($/boe)

	2013 Q3	2013 Q2	2012 Q3	Nine Months Ended 2013	Nine Months Ended 2012
Sales Price	$43.94	$ 46.94	$ 29.51	$44.56	$ 30.98
Royalty income	0.95	2.01	1.96	1.69	3.32
Royalty expense	(3.41)	(1.52)	(1.96)	(2.25)	(1.94)
Production costs	(5.45)	(5.84)	(6.01)	(6.35)	(6.00)
Transportation costs	(1.47)	(1.29)	(0.80)	(1.26)	(0.80)
Operating netback	**$ 34.56**	**$ 40.30**	**$ 22.70**	**$ 36.39**	**$ 25.57**
G&A and other (excludes non-cash items)	(1.76)	(1.96)	(2.93)	(2.05)	(2.60)
Finance expenses	(2.32)	(2.00)	(2.97)	(2.19)	(1.98)
Cash flow netback	**30.49**	**36.34**	**16.79**	**32.15**	**20.99**
Depletion and depreciation	(18.05)	(18.38)	(21.63)	(18.21)	(23.00)
Accretion	(0.15)	(0.13)	(0.13)	(0.20)	(0.13)
Stock-based compensation	(0.38)	(1.15)	(0.87)	(0.53)	(0.92)
Unrealized gain (loss) on financial instruments	(11.71)	(0.63)	(12.51)	(8.55)	7.53
Deferred income tax	(0.14)	(4.61)	5.83	(1.33)	(5.49)
Net Income (loss) netback	**$ 0.06**	**$ 11.44**	**$ (12.52)**	**$ 3.33**	**$ (1.03)**

Operations Summary

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

	2013		2012	Nine Months Ended	
	Q3	Q2	Q3	2013	2012
Daily production volumes					
Natural gas (mcf/d)	6,983	5,915	5,617	6,003	5,915
Oil (bbl/d)	547	492	273	513	327
NGL's (bbl/d)	450	339	317	361	354
Royalty income					
Natural gas (mcf/d)	299	832	1,228	609	1,380
Oil (bbl/d)	1	1	2	1	6
NGL's (bbl/d)	26	49	67	41	84
Combined (boe/d 6:1)	2,238	2,005	1,800	2,018	1,986
Revenue					
Petroleum & natural gas sales - Gross	$ 9,372,931	$ 7,747,389	$ 4,885,957	$ 23,638,701	$ 16,857,092
Royalty income	195,468	366,609	323,947	931,415	1,808,126
Commodity contract settlement	(326,435)	805,711	574,219	909,693	372,278
Total sales	9,241,964	8,919,709	5,784,122	25,479,809	19,037,496
Royalty expense	(701,597)	(276,865)	(324,279)	(1,239,554)	(1,054,227)
Petroleum & natural gas sales - Net	$ 8,540,367	$ 8,642,844	$ 5,459,843	$ 24,240,255	$ 17,983,269
Change in fair value of contracts	$ (2,411,102)	$ (114,736)	$ (2,071,172)	$ (4,711,321)	$ 4,099,253
Total Revenue - Net	$ 6,129,265	$ 8,528,108	$ 3,388,671	$ 19,528,934	$ 22,082,522

<u>Working Capital Summary</u>

The following table summarizes the change in working capital during the nine months ended September 30, 2013 and year ended December 31, 2012:

		2013		2012
Working capital (deficit) - beginning of period [1]	$	(36,301,842)	$	(34,028,162)
Funds flow from operating activities		17,673,078		14,588,405
Purchase/Transfer of property and equipment		(24,001,518)		(24,448,531)
Sale of property and equipment		-		4,650,000
Issuance of shares		62,500		2,552,333
Other Debt		(26,760)		384,113
Working capital (deficit) - September 30, 2013 [1]	$	(42,594,542)	$	(36,301,842)
Credit facility limit	$	45,000,000	$	42,000,000
Subordinated debt facility	$	20,000,000	$	-

(1)Excludes non-cash change in fair value of commodity contracts

Capital Spending

Capital spending is summarized as follows:

	2013		2012	Nine Months Ended	
	Q3	Q2	Q3	2013	2012
Land and lease rentals	$ 307,274	$ (226,665)	$ 362,010	$ 1,140,889	$ 494,133
Drilling and completion	$ 6,725,514	$ 1,190,051	4,042,124	15,952,430	13,047,822
Geological and geophysical	$ 417,101	$ 135,526	183,178	586,305	665,004
Equipment	$ 1,036,655	$ 2,724,863	92,311	5,641,331	1,054,208
Other Asset Additions	$ 80,681	$ (115,174)	-	217,461	-
	$ 8,567,225	$ 3,708,601	$ 4,679,623	$ 23,538,416	$ 15,261,167

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.

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.

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.

All reference to $ (funds) are in Canadian dollars.