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Yangarra Provides Restructuring Update

October 8, 2009

Yangarra Resources Ltd. (“Yangarra” or “the Company”) (TSX Venture: “YAN”) announces today that it has filed a Proposal with its creditors to restructure under the Bankruptcy and Insolvency Act. The purpose of the Proposal is to restructure the financial affairs of Yangarra in order to continue business. Pursuant to the terms of the Proposal:

- a. Yangarra will continue to make payments to its senior lender in accordance with the terms of its present arrangements with that senior lender or any other arrangements that may be agreed upon by that senior lender and Yangarra. The senior lender has a first secured charge on the property, assets and undertaking of Yangarra. The senior lender has indicated, subject to credit committee approval, that Yangarra will be offered a new term sheet which will include a loan limit of \$8,300,000 with interest at prime plus one percent (1%), with loan reductions beginning January 31, 2010 and subject to formal review by the lender no later than May 31, 2010.
- b. A second secured creditor that is owed \$4,950,000 including accrued interest and fees, but whose interest is subordinate to that of the senior lender, will have its debts satisfied as follows:
 - (i) \$1,000,000 will be satisfied via the issuance of preferred shares of Yangarra, such preferred shares having a 5% annual dividend payable in common shares of Yangarra, being redeemable at any time by Yangarra and being due for redemption on April 15, 2011.
 - (ii) \$450,000, being the amount equal to the claim for accrued interest and fees to October 15, 2009, will be satisfied via the issuance of 9,000,000 common shares of Yangarra at a deemed price of \$0.05 per share 1,745,753 of which have already been issued pursuant to a previous agreement (see press release dated August 25, 2009; and
 - (iii) The balance of \$3,500,000 will be satisfied via the issuance of 23,333,333 common shares of Yangarra at a deemed price of \$0.15 per share.
- c. Ordinary unsecured creditors who are owed up to approximately \$1,795,000 will have their debts settled as follows:
 - (i) The first \$500 of each such ordinary unsecured creditor’s claim will be paid in cash; and
 - (ii) The balance will be satisfied via the issuance of common shares of Yangarra at a deemed price of \$0.15 per share;

resulting in the anticipated payment of up to \$55,000 in cash and the anticipated issuance of up to 11,600,000 common shares, based on the number of known ordinary unsecured creditors.

- d. Yangarra will undertake to merge with a non-arms length private company, Athabaska Energy Ltd. (subject to Athabaska shareholder approval). The assets of Athabaska will be combined with the assets of Yangarra no later than 30 days after the Court issues a final order approving of the Proposal. The number of common shares of the Yangarra to be issued in exchange for the shares of Athabaska will be based on the current net asset value of each company as determined by a qualified independent third party expert. A comprehensive press release regarding the share exchange ratio will be released once the calculations have been performed by a qualified independent third party and the respective Boards of Directors have approved that calculation.
- e. The company resulting from the acquisition of Athabaska by Yangarra will raise \$500,000 by selling common shares at a price per share to be determined with reference to then current market conditions, but at a price per share of not less than \$0.05, no later than 60 days after the Court issues a final order approving of the Proposal.
- f. Yangarra entered into a farm out arrangement, on normal commercial terms, with Athabaska on June 30, 2009 to allow Yangarra to continue to operating. A director, an employee and other Yangarra shareholders own shares in Athabaska. A director of Yangarra is also a director of Athabaska. It is intended that this transaction also be approved under the Proposal.
- g. The Proposal will be considered complete when all of the foregoing is accomplished.

Implementation of the Proposal is subject to the receipt of all required approvals including, but not limited to, the approval of the Court, the affected creditors of Yangarra and the TSX Venture Exchange. The meeting of the affected creditors to consider the proposal has been called for October 22, 2009 and it is anticipated that the Court hearing to consider the granting of the final order approving the Proposal will be held shortly thereafter. Application to the TSX Venture Exchange will be made in due course.

In addition to the foregoing restructuring Proposal, Yangarra has successfully re-negotiated many of its fixed costs to a level more in keeping with the current financial environment. The aggregate of the fixed cost reductions and annual debt service savings is expected to be in excess of \$1,250,000 annually and when taken with the other measures implemented by management constitutes a significant reduction in costs.

For further information, please contact James Evaskevich, President at (403) 262-9558.

Forward Looking Statements: This news release contains statements about future events that are forward looking in nature and, as a result, are subject to certain risks and uncertainties, including but not limited to those set out elsewhere in this news release. Such forward looking statements include, but are not limited to, statements regarding Yangarra's senior lender providing Yangarra with a new term sheet with new financing terms and the anticipated terms thereof, the anticipated terms of the Proposal and the transactions contemplated therein including the anticipated acquisition of Athabaska and the anticipated new equity financing, and the anticipated timing of implementation of the Proposal and the transactions contemplated therein including the anticipated debt conversion, anticipated acquisition of Athabaska and the anticipated new equity financing. Actual results may differ from the estimates provided by management. There can be no guarantee that the senior lender will provide the anticipated new term sheet or that it will be on terms acceptable or favourable to Yangarra. The Proposal is subject to the receipt of certain required third party approvals. However, there can be no guarantee that any approvals will be obtained or that the transactions referred to herein will be completed in accordance with the foregoing timeline, if at all. Further, there can be no guarantee that the Proposal, including the anticipated debt conversion, the anticipated acquisition of

Athabaska and the anticipated new equity financing, will be implemented as set forth above or at all. The Proposal, including the anticipated debt conversion, the anticipated acquisition of Athabaska and the anticipated new equity financing or any part thereof, if implemented, may be amended or supplemented prior to implementation and such amendments or supplements may be material.

Neither the TSX Venture Exchange Inc. nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy and accuracy of this release.

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