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Yangarra Announces Third Quarter 2014 Financial and Operating Results

November 12, 2014

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

Third Quarter Highlights

- Production for the quarter was 3,039 boe/d (48% oil and NGL's), a 36% increase from the same period in 2013 and a 17% increase from the previous quarter.
- Oil and gas sales, after royalties, were \$13.6 million with funds flow from operations of \$9.3 million (\$0.16 per share - basic). Both are a 46% increase from the same period in 2013.
- Net Income of \$8.0 million (\$10.6 million before future income taxes).
- Earnings before interest, taxes, depletion, depreciation and impairment ("EBITDA") was \$15.7 million (\$0.27 per share - basic), compared with \$4.3 million in the same period of 2013. This represents a 265% increase primarily due to positive non-cash changes in the fair value of commodity contracts.
- Operating costs were \$6.45 per boe and transportation costs were \$1.52 per boe, an increase of 18% and 3%, respectively, from the same period in 2013. Operating costs have been reduced by 7% when compared to the second quarter of 2014.
- Field net backs (operating netback excluding commodity contracts) were \$42.33, an increase of 17% from the same period in 2013. Operating netback were \$37.20 per boe, an 8% increase from \$34.56 per boe reported in the same period of 2013.
- G&A costs were \$2.23 per boe, which is a 27% increase from the third quarter of 2013 due to the fees required to graduate to the Toronto Stock Exchange.
- Royalties were 7% of oil and gas revenue (6% when the commodity contracts are excluded).
- Total capital expenditures were \$19.6 million. The Company drilled 5 gross (4.2 net) wells.
- Net debt, excluding the current portion of the fair value of commodity contracts, was \$51.2 million.
- The annualized third quarter debt to cash flow ratio was 1.4 : 1.
- The Company had utilized 57% of its total debt facility as at September 30, 2014.
- Yangarra has 60% of its 2015 liquids production hedged at an average price of \$93.32 CDN/bbl.

Operations and Guidance Update

The Company drilled 5 gross (4.2 net) wells and completed and brought on-stream 8 gross (4.6 net) wells during the third quarter. Production during the quarter continued to be negatively affected by third party restrictions as well as the below type curve results from a two well Glauc oil pad. No mechanical issues were experienced in the Glauc oil wells, however, the frac fluids appear to be impeding inflow with production slowly improving over time.

In Q4, third party restrictions have mostly been alleviated as of November 1st, and Yangarra plans to bring on-stream 4 gross (2.4 net) wells drilled and completed in the previous quarter. Subsequent to quarter end, Yangarra plans to drill, complete and bring on-stream 6 gross (3.6 net) wells.

A Duvernay well was spud in Willesden Green October 2, 2014 and is drilling according to program with an estimated cost of \$6.0 million. Yangarra will provide an update upon on the well and Duvernay strategy once the well is drilled and rig released.

The Company has revised the fourth quarter pricing to an average price of US\$80.00/bbl for WTI crude oil (CDN\$79.20/bbl Edmonton par) and an average price of \$3.50/GJ for AECO natural gas. With the reduced pricing and third party constraints the Company now expects fourth quarter cash flow of \$12 million and full year cash flow of \$40 million (a 56% increase from 2013).

Fourth quarter production is expected to be 3,500 boe/d and full year production is expected to average 3,000 boe/d (a 36% increase from 2013).

The Company has \$14 million remaining to spend on its \$75 million 2014 capital budget in the fourth quarter and expects year-end 2014 debt of \$53 million resulting in a net debt to annualized fourth quarter cash flow ratio of 1.1 to 1.0.

Financial Summary

	2014		2013	Nine Months Ended	
	Q3	Q2	Q3	2014	2013
Statements of Comprehensive Income (Loss)					
Petroleum & natural gas sales and royalty income	\$ 14,796,645	\$ 14,106,137	\$ 9,372,931	\$ 44,117,319	\$ 23,638,701
Net income (loss) for the period (before tax)	\$ 10,586,337	\$ 3,821,726	\$ 39,646	\$ 15,610,131	\$ 2,569,798
Net income (loss) for the period	\$ 7,967,369	\$ 2,851,233	\$ 11,330	\$ 11,538,052	\$ 1,834,848
Net income (loss) per share - basic and diluted	\$ 0.14	\$ 0.05	\$ 0.00	\$ 0.22	\$ 0.05
Statements of Cash Flow					
Funds flow from (used in) operating activities	\$ 9,346,927	\$ 8,180,361	\$ 6,378,207	\$ 27,986,980	\$ 17,673,078
Funds flow from (used in) operating activities per share - basic and diluted	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.52	\$ 0.44
Cash from (used in) operating activities	\$ 8,910,365	\$ 6,386,075	\$ 3,683,552	\$ 21,305,219	\$ 16,319,945
Statements of Financial Position					
Property and equipment	\$ 203,295,153	\$ 187,940,259	\$ 135,892,343	\$ 203,295,153	\$ 135,892,343
Total assets	\$ 224,710,379	\$ 212,513,340	\$ 154,773,403	\$ 224,710,379	\$ 154,773,403
Working Capital (deficit), excluding MTM on commodity contracts	\$ 50,596,689	\$ 41,022,416	\$ 42,594,542	\$ 50,596,689	\$ 42,594,542
Non-Current Liabilities	\$ 21,164,535	\$ 19,289,460	\$ 13,971,180	\$ 21,164,535	\$ 13,971,180
Shareholders equity	\$ 134,826,579	\$ 126,644,146	\$ 82,022,213	\$ 134,826,579	\$ 82,022,213
Weighted average number of shares - basic	57,746,877	53,558,093	40,572,748	53,512,122	40,571,307
Weighted average number of shares diluted	60,014,866	55,898,462	40,662,336	53,512,122	40,571,307

Company Netbacks (\$/boe)

	2014			2013		Nine Months Ended	
	Q3	Q2	Q3	2014	2013	2014	2013
Sales Price	\$ 52.80	\$ 58.53	\$ 45.53	\$ 57.42	\$ 42.91		
Royalty income	0.90	0.97	0.95	1.03	1.69		
Royalty expense	(3.40)	(3.66)	(3.41)	(3.59)	(2.25)		
Production costs	(6.45)	(6.92)	(5.45)	(6.61)	(6.35)		
Transportation costs	(1.52)	(1.88)	(1.47)	(1.57)	(1.26)		
Field operating netback	42.33	47.04	36.15	46.69	34.74		
Commodity contract settlement	(5.13)	(8.81)	(1.59)	(6.54)	1.65		
Operating netback	37.20	38.23	34.56	40.14	36.39		
G&A and other (excludes non-cash items)	(2.23)	(1.36)	(1.76)	(1.66)	(2.05)		
Finance expenses	(1.42)	(2.78)	(2.32)	(2.47)	(2.19)		
Cash flow netback	33.54	34.10	30.49	36.02	32.15		
Depletion and depreciation	(16.72)	(16.41)	(18.05)	(16.56)	(18.21)		
Accretion	(0.16)	(0.17)	(0.15)	(0.16)	(0.20)		
Stock-based compensation	(0.39)	(0.46)	(0.38)	(0.82)	(0.53)		
Unrealized gain (loss) on financial instruments	21.59	(0.94)	(11.71)	1.84	(8.55)		
Deferred income tax	(9.37)	(4.09)	(0.14)	(5.30)	(1.33)		
Net Income netback	\$ 28.49	\$ 12.03	\$ 0.06	\$ 15.02	\$ 3.33		

Operations Summary

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

	2014			2013		Nine Months Ended	
	Q3	Q2	Q3	2014	2013	2014	2013
Daily production volumes							
Natural gas (mcf/d)	9,219	7,306	6,983	8,038	6,003		
Oil (bbl/d)	1,004	1,003	547	1,014	513		
NGL's (bbl/d)	423	309	450	382	361		
Royalty income							
Natural gas (mcf/d)	287	302	299	315	609		
Oil (bbl/d)	9	1	1	3	1		
NGL's (bbl/d)	18	26	26	23	41		
Combined (boe/d 6:1)	3,039	2,606	2,238	2,814	2,018		
Revenue							
Petroleum & natural gas sales - Gross	\$ 14,546,041	\$ 13,876,299	\$ 9,372,931	\$ 44,117,319	\$ 23,638,701		
Royalty income	250,604	229,838	195,468	793,859	931,415		
Commodity contract settlement	(1,216,666)	(2,088,038)	(326,435)	(5,028,043)	909,693		
Total sales	13,579,979	12,018,099	9,241,964	39,883,135	25,479,809		
Royalty expense	(950,651)	(867,916)	(701,597)	(2,756,123)	(1,239,554)		
Petroleum & natural gas sales - Net	12,629,328	11,150,183	8,540,367	37,127,012	24,240,255		
Change in fair value of contracts	6,035,816	(222,122)	(2,411,102)	1,410,592	(4,711,321)		
Total Revenue - Net of royalties	\$ 18,665,144	\$ 10,928,061	\$ 6,129,265	\$ 38,537,604	\$ 19,528,934		

Working Capital Summary

The following table summarizes the change in working capital during the nine months ended September 30, 2014 and year ended December 31, 2013:

	2014		2013	
Working capital (deficit) - beginning of period ⁽¹⁾	\$	(36,794,243)	\$	(36,301,842)
Funds flow from operating activities		27,986,980		25,648,666
Additions to property and equipment & E&E Assets		(61,023,296)		(47,485,106)
Issuance of shares		26,408,338		13,593,273
Issuance of Subordinated Debt		(7,786,632)		7,786,632
Other Debt		(27,886)		(35,866)
Working capital (deficit) - end of period ⁽¹⁾	\$	(51,236,739)	\$	(36,794,243)
Subordinated Debt Outstanding	\$	-	\$	(7,786,632)
Total Debt	\$	(51,236,739)	\$	(44,580,875)
Credit facility limit	\$	70,000,000	\$	45,000,000
Subordinated debt facility limit	\$	20,000,000	\$	20,000,000

(1) Excludes fair value of commodity contracts

Capital Spending

Capital spending is summarized as follows:

Cash Additions	2014		2013	Nine Months Ended	
	Q3	Q2	Q3	2014	2013
Land, acquisitions and lease rentals	\$ 386,844	\$ 1,037,155	\$ 307,274	\$ 2,396,132	\$ 1,140,889
Drilling and completion	14,923,634	15,973,721	6,725,516	49,271,094	15,952,432
Geological and geophysical	458,608	368,657	417,101	1,147,492	586,305
Equipment	3,829,045	2,056,234	1,036,654	8,210,227	5,641,331
Other Asset Additions	(9,272)	9,462	80,681	(1,649)	217,461
	\$ 19,588,859	\$ 19,445,229	\$ 8,567,226	\$ 61,023,296	\$ 23,538,418
Exploration & evaluation assets additions	\$ -	\$ -	\$ -	\$ -	\$ -

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.

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.