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Yangarra Announces Second Quarter 2015 Financial and Operating Results

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Yangarra Resources Ltd. ("**Yangarra**" or the "**Company**") (TSX:YGR) announces its financial and operating results for the three and six months ended June 30, 2015.

Second Quarter Highlights

- Adjusted EBITDA (which excludes changes in derivative financial instruments) was $4.1 million ($0.06 per share - basic).
- Oil and gas sales, after royalties, were $5.8 million with funds flow from operations of $3.6 million ($0.06 per share - basic). This represents a 57% and a 56% decrease, respectively, from the same period in 2014 due to reductions in commodity pricing and shut in production.
- Production was negatively impacted by rolling TCPL sales line shut downs with daily production averaging 2,155 boe/d for the quarter, a 17% decrease from the same period in 2014 and a 18% decrease from the first quarter of 2015. The Company estimates 650 boe/d was impacted by the shut downs during the quarter, consisting mainly of oil and representing approximately $2.5 million of lost revenue.
- Net loss of $3.2 million ($0.05 per share - basic) or $2.4 million before tax ($0.04 per share - basic). The net loss was impacted by a $1.4 million one-time charge for the increase in the Alberta provincial corporate tax rate.
- Operating costs were $9.93/boe (including $1.71/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were $24.04 per boe, a 37% decrease from 2014. Field net backs, which do not include the impact of commodity contracts were $19.84, a decrease of 58% from 2014.
- G&A costs of $2.27/boe.
- Royalties were 4% of oil and gas revenue excluding commodity contracts and 3% of oil and gas revenue including commodity contracts.
- Total capital expenditures were $8.3 million. The Company drilled 3 gross (2.35 net) wells in the second quarter to earn 4 sections and acquired a 5.5% interest in a third party gas processing plant.
- Net debt (which excludes the current derivative financial instruments) was $45.5 million down from $59.8 at 2014 year end.

Operations Update

Yangarra drilled three farm-in wells during the second quarter (one 1-mile lateral and two 1.5-mile laterals) and expects to complete and tie-in the first 1.5 mile well in August with the two remaining wells scheduled to be completed once pipeline right of ways are acquired. Upon completion of these wells Yangarra has satisfied the earn-in terms of the farm-in, additional wells on the farm-in property will be drilled at Yangarra's sole discretion.

With low commodity pricing and the uncertainty created by the outcome of the recent Alberta provincial election, Cardium land prices have dropped significantly. Yangarra has added approximately 2 years of drilling inventory in 2015.

Drilling and completion costs continue to improve with all wells completed with cemented liner and sliding sleeve technology. The Company also acquired a 5.5% interest in a third party gas processing plant with 50.0 mmcf/d of capacity during the quarter which alleviates shut-in production in north Willesden Green.

Second quarter production averaged 2,155 boe/d (18% decline from Q1) with approximately 650 boe/d shut in over the quarter primarily at the 2-4 Willesden Green gas processing facility. Production from the 2-4 facility is predominantly oil with relatively low rates of gas; however, with the gas shut in the oil is curtailed as well.

The reduced rig count over the past 6 months has helped create spare firm transportation and processing capacity. Arrangements have been made to divert the currently shut-in 650 boe/d to an alternate plant outside the James River gas infrastructure system. The production is expected to be online by mid-August with the costs to tie-in to the new plant low, as the pipeline access to the alternate plant crosses the 2-4 facility sales line. The alternate plant is a shallow cut facility which is currently advantageous to deep cut facilities as produced propane is left in the gas stream which will generate positive cash flow for the propane.

Subsequent to quarter end, Yangarra spud its first Duvernay strata-graphic vertical test well on the 54 section North block.

Financial Summary

	2015 Q2	2014 Q2	Six Months Ended 2015	Six Months Ended 2014
Statements of Comprehensive Income				
Petroleum & natural gas sales	$ 6,010,973	$ 13,876,299	$ 13,164,147	$ 29,571,278
Net income (loss) (before tax)	$ (2,390,401)	$ 3,821,726	$ (1,023,089)	$ 5,023,794
Net income (loss)	$ (3,202,592)	$ 2,851,233	$ (2,257,475)	$ 3,570,683
Net income (loss) per share - basic	$ (0.05)	$ 0.05	$ (0.04)	$ 0.07
Net income (loss) per share - diluted	$ (0.05)	$ 0.05	$ (0.04)	$ 0.07
Statements of Cash Flow				
Funds flow from operations	$ 3,627,985	$ 8,180,361	$ 13,019,339	$ 18,640,053
Funds flow from operations per share - basic	$ 0.06	$ 0.15	$ 0.22	$ 0.36
Funds flow from operations per share - diluted	$ 0.06	$ 0.15	$ 0.22	$ 0.36
Cash from operating activities	$ 4,464,139	$ 6,386,075	$ 10,495,061	$ 12,394,854
Statements of Financial Position				
Property and equipment	$ 230,153,013	$ 187,940,259	$ 230,153,013	$ 187,940,259
Total assets	$ 253,348,412	$ 212,513,340	$ 253,348,412	$ 212,513,340
Working capital deficit	$ 44,608,443	$ 48,493,987	$ 44,608,443	$ 48,493,987
Adjusted working capital deficit (which excludes current derivative financial instruments)	$ 45,531,303	$ 41,022,416	$ 45,531,303	$ 41,022,416
Non-Current Liabilities	$ 30,118,786	$ 19,289,460	$ 30,118,786	$ 19,289,460
Shareholders equity	$ 162,892,249	$ 126,644,146	$ 162,892,249	$ 126,644,146
Weighted average number of shares - basic	62,118,881	53,558,093	59,949,395	51,359,650
Weighted average number of shares - diluted	62,118,881	55,898,462	59,949,395	51,359,650

Company Netbacks ($/boe)

	2015 Q2	2014 Q2	Six Months Ended 2015	Six Months Ended 2014
Sales price	$30.65	$ 58.53	$ 30.34	$ 60.51
Royalty income	0.26	0.97	0.26	1.11
Royalty expense	(1.15)	(3.66)	(1.44)	(3.69)
Production costs	(8.22)	(6.92)	(7.19)	(6.70)
Transportation costs	(1.71)	(1.88)	(1.48)	(1.59)
Field operating netback	**19.84**	**47.04**	**20.50**	**49.63**
Commodity contract settlement (1)	4.20	(8.81)	14.48	(7.80)
Operating netback	**24.04**	**38.23**	**34.98**	**41.83**
G&A and other (excludes non-cash items)	(2.27)	(1.36)	(2.21)	(1.33)
Finance expenses	(2.83)	(2.78)	(3.42)	(3.06)
Funds flow netback	**18.94**	**34.10**	**29.35**	**37.44**
Depletion and depreciation	(13.63)	(16.41)	(13.78)	(16.47)
Accretion	(0.20)	(0.17)	(0.19)	(0.17)
Stock-based compensation	(0.67)	(0.46)	(0.57)	(1.06)
Unrealized gain (loss) on financial instruments	(16.63)	(0.94)	(17.17)	(9.46)
Deferred income tax	(4.14)	(4.09)	(2.84)	(2.97)
Net Income (loss) netback	**$ (16.33)**	**$ 12.03**	**$ (5.20)**	**$ 7.31**

(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:

	2015 Q2	2014 Q2	Six Months Ended 2015	Six Months Ended 2014
Daily production volumes				
Natural gas (mcf/d)	7,992	7,306	8,353	7,438
Oil (bbl/d)	554	1,003	668	1,019
NGL's (bbl/d)	238	309	300	361
Royalty income				
Natural gas (mcf/d)	147	302	171	329
Oil (bbl/d)	0	1	0	1
NGL's (bbl/d)	7	26	9	25
Combined (boe/d 6:1)	2,155	2,606	2,397	2,700
Revenue				
Petroleum & natural gas sales - Gross	$ 6,010,973	$ 13,876,299	$ 13,164,147	$ 29,571,278
Royalty income	51,428	229,838	114,278	543,255
Commodity contract settlement (1)	824,490	(2,088,038)	6,282,231	(3,811,377)
Total sales	6,886,891	12,018,099	19,560,656	26,303,156
Royalty expense	(225,059)	(867,916)	(624,203)	(1,805,472)
Total Revenue - Net of royalties	$ 6,661,832	$ 11,150,183	$ 18,936,453	$ 24,497,684

(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 adjusted working capital (deficit) during the six months ended June 30, 2015 and the year ended December 31, 2014:

	2015	2014
Adjusted Working capital (deficit) - beginning of period	$ (59,766,933)	$ (36,794,243)
Funds flow from operations	13,019,339	38,325,988
Additions to property and equipment	(17,501,166)	(78,125,708)
Additions to E&E Assets	-	(1,680,941)
Issuance of shares	18,736,729	26,408,338
Issuance (repayment) of Subordinated Debt	-	(7,786,632)
Decommissioning costs incurred	-	(76,361)
Other Debt	(19,272)	(37,374)
Adjusted Working capital (deficit) - end of period	$ (45,531,303)	$ (59,766,933)

Current Credit facility limit	$ 80,000,000
Current Subordinated debt facility limit	$ 10,000,000

Capital Spending

Capital spending is summarized as follows:

Cash additions	2015 Q2	2014 Q2	Six Months Ended 2015	Six Months Ended 2014
Land, acquisitions and lease rentals	$ 515,989	$ 1,037,155	$ 576,491	$ 2,009,288
Drilling and completion	4,045,835	15,973,721	10,593,367	34,347,461
Geological and geophysical	435,890	368,657	802,469	688,884
Equipment	3,094,615	2,056,234	5,355,984	4,381,182
Other asset additions	168,535	9,462	172,855	7,622
	$ 8,260,864	$ 19,445,229	$ 17,501,166	$ 41,434,437
Exploration & evaluation assets additions	$ -	$ -	$ -	$ 2,461,506

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.