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## **Yangarra Announces Year End 2014 Financial and Operating Results**

**March 19, 2015**

**Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) releases its 2014 financials.**

### 2014 Financial and Operating Highlights

- Average daily production was 2,870 boe/d, a 30% increase from 2013.
- Oil and gas sales, after royalties, were \$51.4 million with funds flow from operations of \$38.3 million (\$0.70 per share - basic). This represents a 48% increase and a 49% increase, respectively, from 2013.
- Net Income of \$24.4 million (\$0.45 per share - basic) or \$33.4 million before future income taxes (\$0.61 per share - basic).
- Earnings before interest, taxes, depletion & depreciation, amortization and changes in commodity contracts ("EBITDA") was \$39.7 million (\$0.73 per share - basic) or \$52.7 million including changes in commodity contracts (\$0.97 per share - basic).
- Operating costs were \$8.47/boe (including \$1.58/boe of transportation costs).
- Field net backs (operating netback excluding commodity contracts) were \$41.10, an increase of 18% from 2013. Operating netbacks were \$40.62 per boe, a 12% increase from 2013.
- G&A costs of \$2.05/boe.
- Royalties were 6% of oil and gas revenue.
- Total capital expenditures were \$79.9 million (including \$2.6 million of property acquisition costs under the August 2013 farm-in and \$1.0 million in exploration and evaluation assets). The Company drilled 29 gross (19.4 net) wells in 2014.
- Net debt, excluding the current portion of the fair value of commodity contracts, was \$59.8 million (\$51.4 million including the current portion of the fair value of commodity contracts).
- Year-end debt to 2014 cash flow ratio excluding the current portion of the fair value of commodity contracts was 1.56 : 1 (1.34 : 1 including the current portion of the fair value of commodity contracts).

## Fourth Quarter Highlights

- Fourth quarter 2014 production of 3,035 boe/d is an increase of 10% compared to the 2,764 boe/d in the comparable period in 2013. Petroleum and natural gas sales decreased by 5% when compared to the same period in 2013 and funds flow from operations increased by 30%, due to the effect of commodity contracts. Production increased by 10% however realized pricing (excluding commodity contracts) decreased by 21% due to the drop in oil and liquids pricing.
- Capital expenditures were \$19 million in the fourth quarter of 2014 compared to \$23 million in the same period in 2013. The Company drilled three Cardium wells in the fourth quarter, satisfied its CEE commitment by drilling a Duvernay well in the South Block, and participated in four non-operated wells.

## Hedging Program Update

The Company has reconfigured its 2015 crude oil swap positions by monetizing 800 bbl/d for proceeds of \$7 million (\$3 million in 2014 and \$4 million in 2015). The Company then re-hedged 500 bbl/d, a reduction from the 800 bbl/d that were monetized to better match expected 2015 production, with costless collars at a floor of C\$65.00 WTI per barrel and a ceiling of C\$73.50 WTI per barrel, for the remainder of 2015. The Company also added 800 bbl/d of Edmonton par to WTI differential hedges at US\$6.75/bbl for 2015.

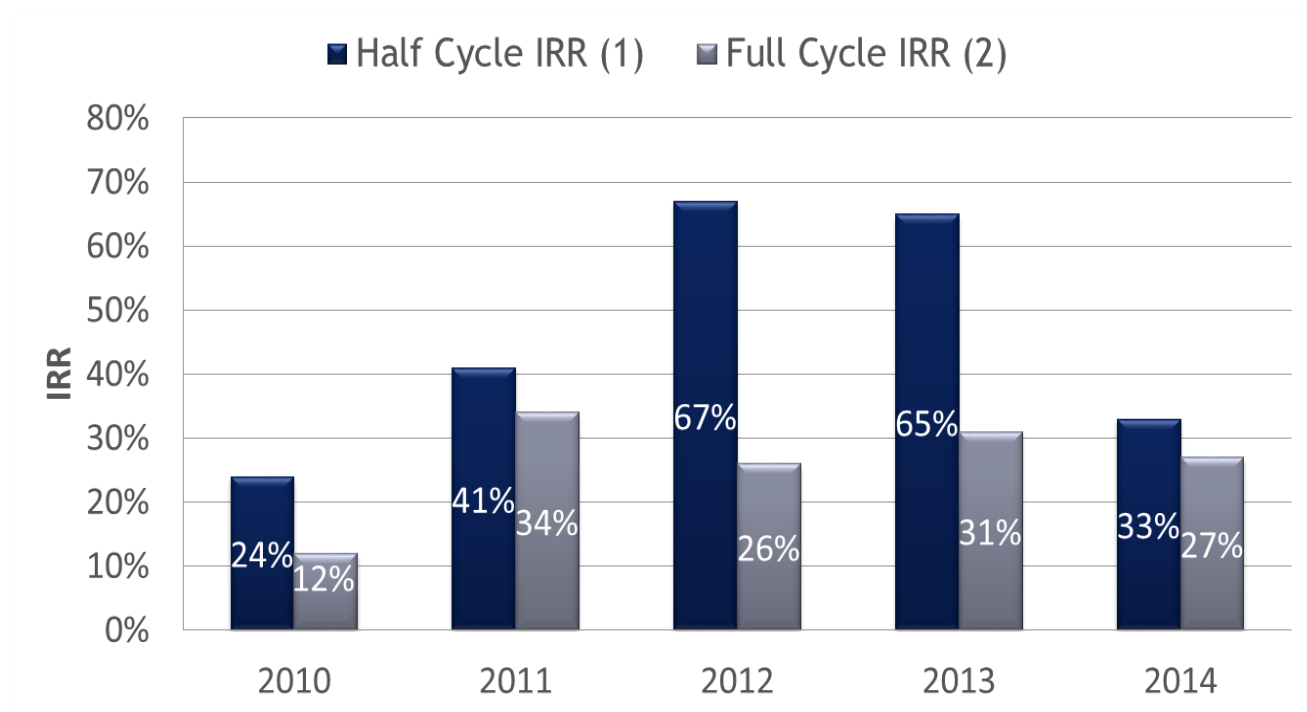
The Company's hedge position for 2015 now consists of the 500 bbl/d costless collar, 300 bbl/d crude oil swap at an average price of C\$102.56 WTI per barrel, 800 bbl/d of Edmonton par differential hedged at US\$6.75/bbl and 2,000 GJ/d of gas at \$4.11 AECO per GJ.

## President's Message to Shareholders

During 2014, Yangarra focused on keeping its cost structure competitive by reducing drilling and completion costs and maintaining low operating and G&A costs. Royalty costs remain low primarily due to the purchase in 2010 of a Gross Overriding Royalty (GORR) on 11 sections in the heart of our Cardium and Glauconite acreage. These advantages are meaningful given the current commodity pricing environment and provide Yangarra with superior internal rates of return (IRR's) and higher relative cash netbacks.

Yangarra focused the 2014 capital budget on validating Cardium acreage and continuing its Duvernay acreage. With our 2P Reserve Life Index ("RLI") increasing to 34 years, Yangarra is positioned to accelerate the drilling program as conditions improve.

We believe measurement of full cycle returns are the best indicator of value creation and we continue to focus on full-cycle rates of return to determine capital allocation. The chart below graphs half cycle and full cycle results for Yangarra since we started drilling HZ wells in 2010.



1. Half cycle IRR is based on actual drilling and completion costs, production to date and P+P reserves.
2. Full cycle IRR allocates all other capital costs to the wells (i.e. land, G&G, infrastructure)

The Company continues to manage the balance sheet with the strategy of maintaining debt to cash flow levels near 1 to 1 when commodity prices are high so that debt levels do not become problematic when commodity prices are low.

In January, the Company drilled its first Cardium well using a sleeve system/cemented production liner replacing the previous open-hole/ball-drop completion approach. Advantages of the sleeve system/cemented liner include lower well costs, higher initial production rates and a simplified drilling and completion process. With the success of the first well we recently drilled a second well from the same pad using a closable sleeve/cemented production liner and increased stages from 18 on the previous well to 30 (1 mile lateral) to determine optimum frack intensity. Yangarra believes the closable sleeve will enable the company to more easily re-frac these wells at a later date and will monitor results from both wells over breakup to formulate best practice go forward.

As Yangarra moves through 2015 and gets better visibility on commodity pricing, where service cost reductions settle and the economic impact of closable sleeve/cemented liners, we will adjust 2015 capital spending accordingly.

I would like to thank the shareholders for their support. I thank my colleagues at Yangarra for their ongoing dedication to the development of the Company. I also wish to take this opportunity to thank my fellow directors for their support and leadership.

James Evaskevich

President and Chief Executive Officer

## Financial Summary

	2014	2013	Year Ended	
	Q4	Q4	2014	2013
<b>Statements of Comprehensive Income (Loss)</b>				
Petroleum & natural gas sales and royalty income	\$ 10,524,238	\$ 11,087,956	\$ 54,582,213	\$ 34,726,657
Net income (before tax)	\$ 17,803,106	\$ 1,576,908	\$ 33,413,237	\$ 4,146,706
Net income (loss)	\$ 12,833,554	\$ 750,851	\$ 24,371,606	\$ 2,585,699
Net income (loss) per share - basic	\$ 0.22	\$ 0.02	\$ 0.45	\$ 0.06
Net income (loss) per share - diluted	\$ 0.22	\$ 0.01	\$ 0.44	\$ 0.06
<b>Statements of Cash Flow</b>				
Funds flow from operating activities	\$ 10,339,008	\$ 7,975,588	\$ 38,325,988	\$ 25,648,666
Funds flow from operating activities per share - basic	\$ 0.18	\$ 0.19	\$ 0.70	\$ 0.63
Funds flow from operating activities per share - diluted	\$ 0.18	\$ 0.19	\$ 0.69	\$ 0.63
Cash from operating activities	\$ 10,358,209	\$ 10,757,178	\$ 31,663,428	\$ 27,077,123
<b>Statements of Financial Position</b>				
Property and equipment	\$ 218,154,343	\$ 152,971,016	\$ 218,154,343	\$ 152,971,016
Total assets	\$ 250,491,053	\$ 169,798,021	\$ 250,491,053	\$ 169,798,021
Working capital deficit	\$ 51,399,838	\$ 40,778,148	\$ 51,399,838	\$ 40,778,148
Working capital deficit, excluding MTM on commodity contracts	\$ 59,766,933	\$ 36,794,243	\$ 59,766,933	\$ 36,794,243
Subordinated Debt	\$ -	\$ -	\$ -	\$ 7,786,632
Non-Current Liabilities	\$ 26,382,773	\$ 7,523,351	\$ 26,382,773	\$ 7,523,351
Shareholders equity	\$ 147,838,197	\$ 95,583,587	\$ 147,838,197	\$ 95,583,587
Weighted average number of shares - basic	57,751,316	42,406,445	54,581,750	41,033,862
Weighted average number of shares - diluted	58,545,861	42,774,090	55,793,173	41,033,862

## Operations Summary

	2014	2013	Year Ended	
	Q4	Q4	2014	2013
<b>Daily production volumes</b>				
Natural gas (mcf/d)	9,927	8,303	8,514	6,583
Oil (bbl/d)	1,043	683	1,022	556
NGL's (bbl/d)	311	605	364	422
Royalty income				
Natural gas (mcf/d)	142	405	271	557
Oil (bbl/d)	(6)	1	1	1
NGL's (bbl/d)	10	24	20	37
Combined (boe/d 6:1)	3,035	2,764	2,870	2,206
<b>Revenue</b>				
Petroleum & natural gas sales - Gross	\$ 10,464,894	\$ 11,087,956	\$ 54,582,213	\$ 34,726,657
Royalty income	59,344	177,335	853,203	1,108,750
Commodity contract settlement	4,517,674	271,387	(510,369)	1,181,080
Total sales	15,041,912	11,536,678	54,925,047	37,016,487
Royalty expense	(749,812)	(557,278)	(3,505,935)	(1,796,832)
Petroleum & natural gas sales - Net	14,292,100	10,979,400	51,419,112	35,219,655
Change in fair value of contracts	11,613,943	(2,217,286)	13,024,535	(6,928,607)
Total Revenue - Net of royalties	\$ 25,906,043	\$ 8,762,114	\$ 64,443,647	\$ 28,291,048

## Pricing Summary

	2014	2013	Year Ended	
	Q4	Q4	2014	2013
<b>Realized Pricing (Including realized commodity contracts )</b>				
Oil (\$/bbl)	\$ 77.91	\$ 85.56	\$ 84.40	\$ 92.08
NGL (\$/bbl)	\$ 52.99	\$ 52.08	\$ 52.93	\$ 54.32
Gas (\$/mcf)	\$ 3.29	\$ 3.92	\$ 4.06	\$ 3.53
<b>Realized Pricing (Excluding commodity contracts )</b>				
Oil (\$/bbl)	\$ 64.48	\$ 84.98	\$ 88.41	\$ 90.93
NGL (\$/bbl)	\$ 38.51	\$ 51.45	\$ 56.50	\$ 52.91
Gas (\$/mcf)	\$ 3.50	\$ 3.67	\$ 4.53	\$ 3.25
<b>Oil Price Benchmarks</b>				
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 73.15	\$ 97.46	\$ 93.00	\$ 97.95
Edmonton (C\$/bbl)	\$ 73.33	\$ 86.58	\$ 86.10	\$ 93.90
<b>Natural Gas Price Benchmarks</b>				
AECO gas (Cdn\$/GJ)	\$ 4.01	\$ 3.15	\$ 4.50	\$ 3.15
<b>Foreign Exchange</b>				
U.S./Canadian Dollar Exchange	\$ 0.88	\$ 0.95	\$ 0.91	\$ 0.97

## Netback Summary

	2014	2013	Year Ended	
	Q4	Q4	2014	2013
Sales Price	\$34.60	\$ 43.60	\$ 52.10	\$ 43.12
Royalty income	0.21	0.70	0.81	1.38
Royalty expense	(2.69)	(2.19)	(3.35)	(2.23)
Production costs	(7.67)	(6.20)	(6.89)	(6.30)
Transportation costs	(1.60)	(1.27)	(1.58)	(1.26)
<b>Field operating netback</b>	<b>22.86</b>	<b>34.63</b>	<b>41.10</b>	<b>34.71</b>
Commodity contract settlement	19.05	1.07	(0.49)	1.47
<b>Operating netback</b>	<b>41.91</b>	<b>35.70</b>	<b>40.62</b>	<b>36.18</b>
G&A and other (excludes non-cash items)	(3.13)	(2.07)	(2.05)	(2.06)
Finance expenses	(2.07)	(2.59)	(2.36)	(2.32)
<b>Cash flow netback</b>	<b>36.71</b>	<b>31.04</b>	<b>36.21</b>	<b>31.80</b>
Depletion and depreciation	(14.00)	(15.96)	(15.88)	(17.50)
Accretion	(0.16)	(0.16)	(0.16)	(0.18)
Stock-based compensation	(0.39)	-	(0.70)	(0.36)
Unrealized gain (loss) on financial instruments	41.59	(8.72)	12.43	(8.60)
Deferred income tax	(17.80)	(3.25)	(8.63)	(1.94)
<b>Net Income netback</b>	<b>\$ 45.96</b>	<b>\$ 2.95</b>	<b>\$ 23.26</b>	<b>\$ 3.21</b>

## Capital Summary

Cash additions	2014	2013	Year Ended	
	Q4	Q4	2014	2013
Land, acquisitions and lease rentals	\$ (505,545)	\$ (261,263)	\$ 1,188,777	\$ 184,606
Property acquisitions (Farm-in drilling)	2,627,312	-	2,627,312	-
Drilling and completion	15,688,428	18,958,090	65,125,540	35,705,499
Geological and geophysical	465,245	170,565	1,612,737	756,870
Equipment	(640,350)	1,490,863	7,569,877	7,595,294
Other asset additions	3,113	100,771	1,465	318,233
	<u>\$ 17,638,203</u>	<u>\$ 20,459,026</u>	<u>\$ 78,125,708</u>	<u>\$ 44,560,502</u>
Exploration & evaluation assets additions	\$ 1,680,941	\$ 2,461,506	\$ 1,680,941	\$ 2,461,506

## Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Wednesday May 27, 2015 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

## Year End Disclosure

The Company's Annual Report (financial statements, notes to the financial statements and management's discussion and analysis) will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and be available on the Company's website ([www.yangarra.ca](http://www.yangarra.ca)).

For further information, please contact James Evaskevich, President and CEO, at (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.

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.

The initial production rates discussed in this press release are not necessarily indicative of long-term performance or of ultimate recovery due to high initial decline rates.

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

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