

Synergy Resources Reports Fiscal Fourth Quarter and Year End 2014 Results

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Full Year Revenues up 125% to Record \$104 Million, Driving Operating Income up 122% to \$43.5 Million and Net Income per Diluted Share up 131% to \$0.37; Company to Host Investor Conference Call Today, October 28th, at 12:00 Noon ET

PLATTEVILLE, CO--(Marketwired - October 28, 2014) - [Synergy Resources Corp.](#) (NYSE MKT: SYRG), a U.S. oil and gas exploration and production company focused on the Greater Wattenberg Area of the Denver-Julesburg Basin, reported its fiscal fourth quarter and year end results for the period ended August 31, 2014.

Fiscal Fourth Quarter and Year 2014 Financial Highlights as Compared to the Same Year ago Periods

- Revenue increased 147% to \$36.3 million in the fourth quarter, and was up 125% to \$104 million for the full year.
- Operating Income increased 133% to \$15.5 million in the quarter, and was up 122% to \$43.5 million for the full year vs. \$19.5 million in fiscal 2013
- Net income was \$10.4 million or \$0.13 per diluted share in the quarter and \$28.9 million or \$0.37 per diluted share for the full year as compared to net income of \$9.6 million or \$0.16 per diluted share in fiscal 2013
- Adjusted EBITDA was up 128% to a record \$77.3 million in fiscal 2014, representing a 74% return on revenue for the full year (see further discussion about the presentation of adjusted EBITDA in "About Non-GAAP Financial Measure," below).
- As of August 31, 2014, the company's total assets were \$449 million, as compared to \$291 million at August 31, 2013

Operational Highlights

- In the fourth quarter, net oil and natural gas production increased 138% to 542,207 barrels of oil equivalent (BOE), as compared to 228,042 BOE the same year-ago quarter, and averaged 5,894 BOEPD per day versus an average of 2,479 BOEPD in the year ago quarter.
- 31 gross new operated horizontal wells were brought on-line during the fiscal year.
- Participated in 59 gross (6.2 net) non-operated horizontal wells that spud during the fiscal year.
- Increased estimated proved reserves to 16.3 million barrels of oil and 95.2 million cubic feet of gas, for a total of 32.2 BOE. As of August 31, 2014, the PV10 value of the proven reserves was \$534 million. As compared to the annual reserve report prepared on August 31, 2013, total BOE increased 133%, with present value increasing by 126%.

Fiscal Fourth Quarter as Compared to Fiscal Third Quarter

Revenues in the fourth quarter were \$36.3 million, up from \$25.7 million in the third quarter. The increase in revenues was attributed to higher production but was partially offset by lower commodity prices. Oil averaged

\$89.72 per barrel in the fourth quarter versus \$90.91 in the third quarter, and the average realized price per mcf for natural gas was \$4.95 in Q4 compared to \$5.15 in Q3. Operating income for the fourth quarter was \$15.5 million, up from \$11.3 million in the previous quarter. Net income totaled \$10.4 million or \$0.13 per diluted share in the fourth quarter, up from \$7.2 million or \$0.09 per diluted share in the third quarter. Adjusted EBITDA in the fourth quarter was \$28 million, representing a 77% return on revenue, up 48% from \$18.9 million in the previous quarter.

The following table presents certain per unit metrics that compare results of the corresponding quarterly and twelve-month reporting periods

	Three Months Ended August 31,			Twelve Months Ended August 31,		
	2014	2013	Change	2014	2013	Change
Production:						
Oil (Bbls)	335,747	125,045	169 %	941,218	421,265	123 %
Gas (Mcf)	1,238,762	617,979	100 %	3,747,074	2,107,603	78 %
BOE	542,207	228,042	138 %	1,565,729	772,532	103 %
BOEPD	5,894	2,479	138 %	4,290	2,117	103 %
Revenues (in thousands):						
Oil	\$ 30,124	\$ 11,544	161 %	\$ 84,693	\$ 36,206	134 %
Gas	6,129	3,130	96 %	19,526	10,017	95 %
Total	<u>\$ 36,253</u>	<u>\$ 14,674</u>	147 %	<u>\$ 104,219</u>	<u>\$ 46,223</u>	125 %
Average realized price:						
Oil	\$ 89.72	\$ 92.32	-3 %	\$ 89.98	\$ 85.95	5 %
Gas	\$ 4.95	\$ 5.06	-2 %	\$ 5.21	\$ 4.75	10 %
BOE	\$ 66.86	\$ 64.35	4 %	\$ 66.56	\$ 59.83	11 %

"Bbl" refers to one stock tank barrel, or 42 U.S. gallons liquid volume in reference to crude oil or other liquid hydrocarbons. "Mcf" refers to one thousand cubic feet. A BOE (i.e. barrel of oil equivalent) combines Bbls of oil and Mcf of gas by converting each six Mcf of gas to one Bbl of oil.

Costs per BOE	Three Months Ended August 31,		Twelve Months Ended August 31,	
	2014	2013	2014	2013
Lease operating expenses	\$ 4.81	\$ 4.67	\$ 5.10	\$ 4.42
Production taxes	\$ 5.57	\$ 5.53	\$ 6.17	\$ 5.48
DDA	\$ 21.86	\$ 17.63	\$ 21.05	\$ 17.26
General and administrative	\$ 6.02	\$ 7.35	\$ 6.48	\$ 7.36
Total	<u>\$ 38.26</u>	<u>\$ 35.18</u>	<u>\$ 38.80</u>	<u>\$ 34.52</u>

Operational Activities for Fourth Fiscal Quarter and Year 2014

In November 2013 the company completed two acquisitions in the Wattenberg Field that added approximately 1,800 net acres to its leasehold in the field and 59 operated producing vertical wells.

In fiscal year 2014, the company reported that it had drilled and brought into production 31 gross operated horizontal wells. It also completed and brought into production one additional well each on its Phelps and Eberle pads in September 2014 at the beginning of fiscal 2015. Additionally the company participated as a non-operating working interest owner in 59 gross horizontal wells during the fiscal year, of which 2.4 net wells to Synergy's working interest were brought on line.

In March the company began a two rig operated drilling program. From May through August, the company brought 5 wells into production on its Phelps pad, 6 wells on its Union pad, 4 wells on its Kelly Farms pad and 5 wells on its Eberle pad. These wells made significant contributions to the company's recent production rate of 8,700 BOED achieved in late August.

Management Commentary

William Scaff, co- CEO of Synergy Resources commented "The growth we exhibited in fiscal 2014 is the result of our focus on horizontal development of our assets in the Wattenberg Field. We are pleased with our over 100% growth rate in production while remaining diligent on controlling costs and generating efficiencies in our operations, which led to a 200% increase in net income and a 74% EBITDA margin on revenues. We have increased our footprint to over 56,000 net acres in the Greater Wattenberg Area primarily through leasing new acreage at competitive rates. We are continuing the development of our assets with the addition of a third rig to our operations in September. With three rigs running we believe we will bring an additional 35 gross operated horizontal wells into production over the next four to five months and continue to rapidly grow production and proven reserves."

Fiscal 2015 Outlook

Management anticipates updated CAPEX spending of \$200-\$225 million on the following programs with the vast majority of the drilling expenditures weighted towards the horizontal drilling program in the core of the Wattenberg Field. The company anticipates funding this program with cash on hand, cash flow from operations, proceeds from the exercise of warrants and increased use of its borrowing base on its \$300 million credit facility. Following is a breakdown of the company's capex plans excluding acquisitions.

- \$150-\$160 million to drill operated horizontal wells in the Wattenberg Field
- \$30-40 million to participate as a non-operator in horizontal wells
- \$10 million for drilling in the Northeast Wattenberg Extension Area and in Nebraska
- \$10-\$15 million for land leasing

Conference Call

Synergy Resources will host a conference call today, Tuesday, October 28th, 2014 at 12:00 noon Eastern time (10:00 a.m. Mountain time) to discuss its fiscal fourth quarter and year end 2014 results. Co-CEO Ed Holloway, Co-CEO William Scaff, Jr. CFO Monty Jennings, COO Craig Rasmuson and VP of Capital Markets & Investor Relations Jon Kruljac will host the presentation, followed by a question and answer period.

Date: Tuesday, October 28th, 2014
Time: 12 noon Eastern time (10:00 a.m. Mountain time)
Domestic Dial-In Number: 1-877-407 9122
International Dial-In Number: 1-201-493-6747

The conference call will be webcast simultaneously which you can access via this link: <http://syrginfo.equisolvewebcast.com/q4-2014> and via the investor section of the company's web site at www.syrginfo.com.

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Rhonda Sandquist with Synergy Resources at 970-737-1073
A replay of the call will be available after 3:00p.m. ET on the same day and until November 14th, 2014.
Toll-free replay number: 1-877-660-6853
International replay number: 1-201-612-7415
Replay ID #: 411931

About Synergy Resources Corporation

[Synergy Resources Corp.](http://www.SYRGinfo.com) is a domestic oil and natural gas exploration and production company. Synergy's core area of operations is in the Wattenberg Field of the Denver-Julesburg Basin. The Denver-Julesburg Basin encompasses parts of Colorado, Wyoming, Kansas, and Nebraska. The Wattenberg field in the D-J Basin ranks as one of the most productive fields in the U.S. The company's corporate offices are located in Platteville, Colorado. More company news and information about Synergy Resources is available at www.SYRGinfo.com.

Important Cautions Regarding Forward Looking Statements

This press release may contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "should", "likely" or similar expressions, indicates a forward-looking statement. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management, and information currently available to management. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information. The identification in this press release of factors that may affect the company's future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. Factors that could cause the company's actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: the success of the company's exploration and development efforts; the price of oil and gas; worldwide economic situation; change in interest rates or inflation; willingness and ability of third parties to honor their contractual commitments; the company's ability to raise additional capital, as it may be affected by current conditions in the stock market and competition in the oil and gas industry for risk capital; the company's capital costs, which may be affected by delays or cost overruns; costs of production; environmental and other regulations, as the same presently exist or may later be amended; the company's ability to identify, finance and integrate any future acquisitions; and the volatility of the company's stock price.

About Reserve Estimates

Reserve estimates mentioned in this release were prepared in accordance with guidelines established by the Securities and Exchange Commission for proved reserves. Probable and possible reserves are excluded. Prices are based on a trailing twelve month average and are held constant over the life of the properties. Similarly, costs are held constant for the duration of the well.

About Non-GAAP Financial Measure

The company uses "adjusted EBITDA," a non-GAAP financial measure, for internal managerial purposes when evaluating period-to-period comparisons. This measure is not a measure of financial performance under U.S. GAAP and should be considered in addition to, not as a substitute for, cash flows from operations, investing, or financing activities, net income, nor as a liquidity measure or indicator of cash flows or an indicator of operating performance reported in accordance with U.S. GAAP. The non-GAAP financial measure that the company uses may not be comparable to the measure with a similar title reported by other companies. Also, in the future, the company may disclose different non-GAAP financial measures in order to help investors more meaningfully evaluate and compare the company's future results of operations to its previously reported results of operations. The company strongly encourages investors to review its financial statements and publicly-filed reports in their entirety and not rely on any single financial measure. See, "Reconciliation of Non-GAAP Financial Measure," below for a detailed description of this measure as well as a reconciliation of each to the nearest U.S. GAAP measure.

Reconciliation of Non-GAAP Financial Measure

The company defines adjusted EBITDA as net income (loss) plus net interest expense, income taxes, and depreciation, depletion and amortization (including amortization of non-cash stock-based compensation) for the period, plus/minus the change in fair value of **the company's** derivative conversion liability. The company believes adjusted EBITDA is relevant because it is a measure of cash available to fund capital expenditures and service debt and is a metric used by some industry analysts to provide a comparison of its results with its peers. The following table presents a reconciliation of each of the company's non-GAAP financial measures to the nearest GAAP measure.

SYNERGY RESOURCES CORPORATION				
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES				
(unaudited, in thousands)				
	<i>Three Months Ended</i>		<i>Twelve Months Ended</i>	
	<i>August 31,</i> <i>2014</i>	<i>August 31,</i> <i>2013</i>	<i>August 31,</i> <i>2014</i>	<i>August 31,</i> <i>2013</i>
ADJUSTED EBITDA				

Net income	\$	10,432	\$	996	\$	28,853	\$	9,581
Depreciation, depletion, and amortization		11,852		4,020		32,958		13,336
Income tax expense		6,173		2,250		15,014		6,870
Stock based compensation		1,399		368		2,968		1,362
Change in fair value - derivatives		(1,807)		3,017		(2,459)		2,649
Interest and related items, net		(12)		(24)		(82)		50
Adjusted EBITDA	\$	<u>28,037</u>	\$	<u>10,627</u>	\$	<u>77,252</u>	\$	<u>33,848</u>

Financial Statements

Condensed financial statements are included below. Additional financial information, including footnotes that are considered an integral part of the financial statements, can be found in Synergy's Edgar Filings at www.sec.gov on Form 10-K for the period ended August 31, 2014.

SYNERGY RESOURCES CORPORATION CONDENSED BALANCE SHEETS (unaudited, in thousands)

	August 31, 2014		August 31, 2013	
ASSETS				
Cash and short term investments	\$	34,753	\$	79,481
Other current assets		33,487		12,494
Total current assets		<u>68,240</u>		<u>91,975</u>
Oil and gas properties and other equipment		379,400		197,965
Other assets		902		1,296
Total assets	\$	<u>448,542</u>	\$	<u>291,236</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	\$	103,578		41,367
Revolving credit facility		37,000		37,000
Asset retirement obligations		4,730		2,777
Commodity derivative		307		334
Deferred tax liability, net		21,437		6,538
Total liabilities		<u>167,052</u>		<u>88,016</u>
Shareholders' equity:				
Common stock and paid-in capital		265,871		216,454
Retained earnings (accumulated deficit)		15,619		(13,234)
Total shareholders' equity		<u>281,490</u>		<u>203,220</u>
Total liabilities and shareholders' equity	\$	<u>448,542</u>	\$	<u>291,236</u>

SYNERGY RESOURCES CORPORATION CONDENSED STATEMENTS OF OPERATIONS (unaudited, in thousands, except share and per share data)

	Three Months Ended		Twelve Months Ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Oil and gas revenues	\$	36,253	\$	14,674
Expenses:				
Lease operating expenses		2,609		1,065
Production taxes		3,020		1,262
Depreciation, depletion, and amortization		11,852		4,020
General and administrative		3,263		1,675
Total expenses		<u>20,744</u>		<u>8,022</u>
Operating income		<u>15,509</u>		<u>6,652</u>
	\$		\$	
		104,219		46,223
		7,991		3,417
		9,667		4,237
		32,958		13,336
		10,139		5,688
		<u>60,755</u>		<u>26,678</u>
		<u>43,464</u>		<u>19,545</u>

Other income (expense):				
Commodity derivative gain (loss)	1,084	(3,430)	321	(3,044)
Interest income and (expense), net	12	24	82	(50)
Total other income (expense)	1,096	(3,406)	403	(3,094)
Income tax provision	6,173	2,250	15,014	6,870
Net income	\$ 10,432	\$ 996	\$ 28,853	\$ 9,581
Net income per common share:				
Basic	\$ 0.13	\$ 0.02	\$ 0.38	\$ 0.17
Diluted	\$ 0.13	\$ 0.01	\$ 0.37	\$ 0.16
Weighted average shares outstanding:				
Basic	77,771,916	66,283,325	76,214,737	57,089,362
Diluted	79,698,720	70,176,105	77,808,054	59,088,761

SYNERGY RESOURCES CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Twelve Months Ended	
	August 31, 2014	August 31, 2013
Cash flows from operating activities:		
Net income	\$ 28,853	\$ 9,581
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	32,958	13,336
Provision for deferred taxes	15,014	6,870
Other, non-cash items	509	4,011
Changes in operating assets and liabilities	(2,429)	(1,678)
Total adjustments	46,052	22,539
Net cash provided by operating activities	74,905	32,120
Cash flows from investing activities:		
Acquisition of property and equipment	(155,602)	(80,469)
Net proceeds from sales of oil and gas properties	704	-
Net proceeds from short term investments	60,018	(60,000)
Net cash used in investing activities	(94,880)	(140,469)
Cash flows from financing activities:		
Equity financing activities:	35,265	74,528
Debt financing activities	-	34,000
Other	-	-
Net cash provided by financing activities	35,265	108,528
Net increase (decrease) in cash and equivalents	15,290	179

Cash and equivalents at beginning of period

	19,463		19,284
Cash and equivalents at end of period			
	34,753		19,463
Short term investments			60,018
	-		
Cash and equivalents			79,481
	\$ 34,753	\$	79,481

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