

CALGARY, May 12, 2016 /CNW/ - Yangarra Resources Ltd. ("Yangarra" or the "Company") (TSX:YGR) announces its financial and operating results for the three months ended March 31, 2016.

First Quarter Highlights

- Production of 3,173 boe/d.
- Oil and gas sales were \$6.3 million with funds flow from operations of \$3.4 million (\$0.05 per share - basic).
- Net income of \$11.9 million (\$0.18 per share - basic).
- Adjusted EBITDA (which excludes changes in derivative financial instruments) was \$16.1 million (\$0.24 per share - basic).
- Operating costs were \$8.89/boe (including \$1.62/boe of transportation costs).
- Operating netbacks, which include the impact of commodity contracts, were \$15.71 per boe. Field net backs, which do not include the impact of commodity contracts were \$12.28.
- G&A costs of \$2.02/boe.
- Royalties were 4% of oil and gas revenue excluding commodity contracts and 3% of oil and gas revenue including commodity contracts.
- Total cash capital expenditures were \$4.9 million.
- Net debt (which excludes the current derivative financial instruments) was \$62.5 million up from \$60.9 million at 2015 year end.
- Subsequent to March 31, 2016, Yangarra re-signed its credit facility agreement with Alberta Treasury Branches ("ATB") renewing the existing \$80 million senior line. All other terms remained the same and the next review is scheduled for May 31, 2017.
- Subsequent to March 31, 2016, Yangarra announced it had entered into an equity financing agreement, on a bought deal basis, for gross proceeds of \$10 million (\$11.5 million if the underwriter's option is exercised).

Financial Summary

| | 2016 | 2015 |
|--|---------------|---------------|
| | Q1 | Q1 |
| Statements of Comprehensive Income | | |
| Petroleum & natural gas sales | \$6,315,833 | \$7,216,024 |
| Net income (before tax) | \$11,631,203 | \$1,367,312 |
| Net income | \$11,878,454 | \$945,117 |
| Net income per share - basic and diluted | \$0.18 | \$0.02 |
| Statements of Cash Flow | | |
| Funds flow from operations | \$3,359,129 | \$9,391,354 |
| Funds flow from operating activities per share - basic and diluted | \$0.05 | \$0.16 |
| Cash from operating activities | \$2,090,799 | \$6,030,922 |
| Statements of Financial Position | | |
| Property and equipment | \$263,236,648 | \$224,745,569 |
| Total assets | \$284,196,765 | \$253,362,846 |
| Working capital deficit | \$60,242,082 | \$55,509,271 |
| Adjusted working capital deficit (which excludes current derivative financial instruments) | \$62,450,536 | \$59,625,467 |
| Non-Current Liabilities | \$36,322,622 | \$27,736,084 |
| Shareholders equity | \$173,434,409 | \$148,966,679 |
| Weighted average number of shares - basic | 67,681,804 | 57,755,804 |
| Weighted average number of shares - diluted | 67,681,804 | 58,015,914 |
| Company Netbacks (\$/boe) | | |

| | 2016 | 2015 |
|---|---------|---------|
| | Q1 | Q1 |
| Sales price | \$21.87 | \$30.08 |
| Royalty income | 0.11 | 0.26 |
| Royalty expense | (0.81) | (1.68) |
| Production costs | (7.28) | (6.34) |
| Transportation costs | (1.62) | (1.28) |
| Field operating netback | 12.28 | 21.05 |
| Commodity contract settlement ⁽¹⁾ | 3.44 | 22.95 |
| Operating netback | 15.71 | 44.00 |
| G&A | (2.02) | (2.16) |
| Finance expenses | (1.87) | (3.92) |
| Funds flow netback | 11.82 | 37.93 |
| Depletion and depreciation | (13.31) | (13.90) |
| E&E Impairment | (2.62) | - |
| Accretion | (0.17) | (0.18) |
| Stock-based compensation | (1.12) | (0.48) |
| Unrealized gain (loss) on financial instruments | 0.37 | (17.61) |
| Gain on Settlement of Lawsuit | 45.31 | - |
| Deferred income tax | 0.86 | (1.78) |
| Net Income netback | \$41.14 | \$3.97 |

(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:

| | 2016 | 2015 |
|--|--------------|---------------|
| | Q1 | Q1 |
| Daily production volumes | | |
| Natural gas (mcf/d) | 10,366 | 8,717 |
| Oil (bbl/d) | 971 | 783 |
| NGL's (bbl/d) | 449 | 363 |
| Royalty income | | |
| Natural gas (mcf/d) | 95 | 196 |
| Oil (bbl/d) | 1 | 0 |
| NGL's (bbl/d) | 8 | 10 |
| Combined (boe/d 6:1) | 3,173 | 2,642 |
| Revenue | | |
| Petroleum & natural gas sales - Gross | \$ 6,315,833 | \$ 7,153,174 |
| Royalty income | 30,370 | 62,850 |
| Commodity contract settlement ⁽¹⁾ | 992,420 | 5,457,741 |
| Total sales | 7,338,623 | 12,673,765 |
| Royalty expense | (233,391) | (399,144) |
| Total Revenue - Net of royalties | \$ 7,105,232 | \$ 12,274,621 |

(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 working capital during three months ended March 31, 2016 and the year ended December 31, 2015:

| | 2016 | 2015 |
|--|-----------------|-----------------|
| Adjusted Working capital (deficit) - beginning of period | \$ (60,886,556) | \$ (59,766,933) |
| Funds flow from operations | 3,359,129 | 21,413,401 |
| Additions to property and equipment | (4,913,120) | (36,025,121) |
| Additions to E&E Assets | - | (4,706,547) |
| Issuance of shares | - | 18,731,470 |
| Decommissioning costs incurred | - | (64,178) |
| Other Debt | (9,989) | (468,648) |
| Adjusted Working capital (deficit) - end of period | \$ (62,450,536) | \$ (60,886,556) |
| Credit facility limit | \$ 80,000,000 | \$ 80,000,000 |

Capital Spending

Capital spending is summarized as follows:

| | 2016 | 2015 |
|--------------------------------------|--------------|--------------|
| | Q1 | Q1 |
| Cash additions | | |
| Land, acquisitions and lease rentals | \$ 301,113 | \$ 60,502 |
| Cash property acquisitions | 3,707,693 | - |
| Drilling and completion | 510,244 | 6,547,532 |
| Geological and geophysical | 208,147 | 366,579 |
| Equipment | 113,388 | 2,261,369 |
| Other asset additions | 72,537 | 4,320 |
| | \$ 4,913,122 | \$ 9,240,302 |

Exploration & evaluation assets additions \$ - \$ -

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday May 26, 2016 in the Tillyard Management Conference Centre, Main Floor, 715 5th Avenue SW, Calgary, AB.

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).

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. Certain of these risks are set out in more detail in Yangarra's current Annual Information Form, which is available on Yangarra's SEDAR profile at www.sedar.com.

Forward-looking statements are based on estimates and opinions of management of Yangarra at the time the statements are presented. Yangarra may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but Yangarra undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.

Barrels of Oil Equivalent

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.

Non-GAAP Financial Measures

This press release contains references to measures used in the oil and natural gas industry such as "funds flow from operations", "operating netback", "adjusted working capital deficit", and "net debt". These measures do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and, therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.

Funds flow from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined in accordance with GAAP, as an indicator of Yangarra's performance or liquidity. Funds flow from operations is used by Yangarra to evaluate operating results and Yangarra's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds flow from operations denotes cash flow from operating activities as it appears on the Company's Statement of Cash Flows before decommissioning expenditures and changes in non-cash operating working capital. Funds flow from operations is also derived from net income (loss) plus non-cash items including deferred income tax expense, depletion and depreciation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations netback is calculated on a per boe basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of basic and diluted common shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per boe basis. Adjusted working capital deficit includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and the deferred premium on financial instruments. Yangarra uses net debt as a measure to assess its financial position. Net debt includes current assets less current liabilities excluding the current portion of the fair value of financial instruments and the deferred premium on financial instruments, plus the long-term financial obligation.

Readers should also note that Adjusted EBITDA is a non-GAAP financial measures and do not have any standardized meaning under GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. Yangarra believes that Adjusted EBITDA is a useful supplemental measure, which provide an indication of the results generated by the Yangarra's primary business activities prior to consideration of how those activities are financed, amortized or taxed. Readers are cautioned, however, that Adjusted EBITDA should not be construed as an alternative to comprehensive income (loss) determined in accordance with GAAP as an indicator of Yangarra's financial performance.

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

SOURCE [Yangarra Resources Ltd.](#)

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