

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities in those jurisdictions.

The securities offered hereby have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States. Accordingly, the securities offered hereby may not be offered, sold or delivered in the United States unless registered under the U.S. Securities Act and applicable U.S. state securities laws, except as permitted by the Underwriting Agreement (as defined herein) and pursuant to exemptions from registration under the U.S. Securities Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the President and Chief Executive Officer of Yangarra Resources Ltd. at Suite 1530, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6 (telephone number: (403) 262-9558) and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

February 25, 2011



20,550,000 COMMON SHARES (\$15,001,500)

PRICE: \$0.73 PER COMMON SHARE

Yangarra Resources Ltd. ("**Yangarra**" or the "**Corporation**") is hereby qualifying for distribution (the "**Offering**") of 20,550,000 common shares of the Corporation ("**Offered Shares**") at a price of \$0.73 per Offered Share. See "Plan of Distribution".

The issued and outstanding common shares of the Corporation (the "**Common Shares**") are listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "YGR". On February 11, 2011, being the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSXV was \$0.77. On February 24, 2011, being the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$0.74. The offering price (the "**Offering Price**") of \$0.73 per Offered Share was determined by negotiation between the Corporation and Haywood Securities Inc., as lead underwriter (the "**Lead Underwriter**") on its own behalf and on behalf of GMP Securities L.P. and Acumen Capital Finance Partners Limited (collectively with the Lead Underwriter, the "**Underwriters**"). This short form prospectus qualifies the distribution of the Offered Shares. The TSXV has conditionally accepted the listing of the Offered Shares (including any Common Shares issuable pursuant to the Over-allotment Option (as defined herein)) on the TSXV. The listing of the Offered Shares will be subject to the Corporation fulfilling all of the requirements of the TSXV.

	Offering Price	Underwriters' Fee ⁽²⁾	Net Proceeds ⁽²⁾
Per Offered Share	\$ 0.73	\$ 0.039907	\$ 0.690093
Total Offering ⁽²⁾	\$ 15,001,500	\$ 820,082	\$ 14,181,418

Notes:

- (1) The Corporation has granted to the Underwriters an option (the "**Over-allotment Option**"), exercisable in whole or in part from time to time after the closing of the Offering until 30 days following the closing of the Offering, to purchase up to that number of Common Share equal to an additional 15% of the Offered Shares at the Offering Price on the same terms and conditions of the Offering for the purposes of covering over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Common Shares forming any part of the Underwriters' over-allocation position acquires those Common Shares under this short form prospectus, regardless of whether the Underwriters' over allocation position is ultimately filled through the exercise of the Over-allotment Option or secondary market purchases. If the Over-allotment Option is exercised in full, the total Offering, the Underwriters' Fee (as defined herein) and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$17,251,725, \$955,095.50 and \$16,296,629.50, respectively. This short form prospectus also qualifies for distribution the grant of the Over-allotment Option and the issuance of Common Shares pursuant to the exercise thereof (and where the context requires, reference to the "**Offering**" and to the "**Offered Shares**" includes reference to the Common Shares issuable pursuant to the Over-allotment Option). See "Plan of Distribution".
- (2) Upon closing of the Offering, the Corporation will pay the Underwriters a cash commission equal to 6.0% of the gross proceeds of the Offering other than in respect of 2,740,000 Common Shares (the "**President's List Shares**") for sale to insiders, directors, officers and employees of and consultants to the Corporation at a reduced commission of 2% for such President's List Shares (the "**Underwriters' Fee**"). See "Plan of Distribution".
- (3) Before deducting expenses of the Offering, estimated to be \$200,000, which will be paid from general funds of the Corporation.

The following table summarizes the terms of the Over-allotment Option:

Underwriters' Position	Maximum size or number of securities held	Exercise period	Exercise price
Over-allotment Option	3,082,500	At any time until 30 days following closing of the Offering	\$0.73 per Common Share

The Underwriters, as principals, conditionally offer the Offered Shares for sale, subject to prior sale, if, as and when issued by the Corporation and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as herein defined) referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Gowling Lafleur Henderson LLP and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP. The Offered Shares will be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for the short form prospectus.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about March 8, 2011 or such other date as the Corporation and the Underwriters may agree upon (the "**Closing Date**"). Except as described below, the Offered Shares will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee pursuant to the book-entry only system other than Offered Shares issued to purchasers of Offered Shares in the United States, which will be certificated and delivered to such holders on the Closing Date. No certificates representing Offered Shares will be issued to subscribers outside the United States, and registration will be made through the depository services of CDS. Accordingly, except for U.S. holders, a subscriber will receive only a customer confirmation from the Underwriters or other registered dealers who are CDS participants and from or through whom a beneficial interest in the Offered Shares is acquired. See "Plan of Distribution". Notwithstanding the foregoing, Offered Shares issued to purchasers in the United States (as such term is defined in Regulation S under the U.S. Securities Act) will be certificated pursuant to the Underwriting Agreement and as referred to under "Plan of Distribution" herein.

The Corporation has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

The Underwriters propose to offer the Offered Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See "Plan of Distribution".

An investment in the Offered Shares is speculative and involves a number of risks. The risk factors identified under "Note Regarding Forward-looking Statements" and "Risk Factors" in this short form prospectus (including the documents incorporated herein by reference) should be carefully reviewed and evaluated by prospective subscribers before purchasing any Offered Shares. There is no guarantee that an investment in the Corporation will earn a specified rate of (or any) return in the short or long term. Investors should read this entire short form prospectus (including the documents incorporated by reference herein) and consult their own professional advisors to assess the tax and legal implications, risk factors and other aspects of their investment.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. Neither the Corporation nor the Underwriters have authorized anyone to provide investors with different information. The Offered Shares may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Offered Shares in any jurisdiction where it is unlawful. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Offered Shares, except in the case of documents incorporated or deemed to be incorporated by reference into the short form prospectus subsequent to the date hereof.

Information contained on the website of the Corporation shall not be deemed to be a part of this short form prospectus or incorporated by reference herein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the Offered Shares.

The Corporation's consolidated financial statements incorporated by reference herein have been prepared in accordance with Canadian generally accepted accounting principles consistently applied ("**Canadian GAAP**"). In certain of the documents incorporated by reference into this short form prospectus, the Corporation uses the terms "net petroleum and natural gas revenue" and "funds flow from operations". These measures are not recognized by Canadian GAAP and do not have a standardized meaning prescribed by Canadian GAAP. Therefore, they may not be comparable to performance measures presented by others. Funds flow from operations represents cash flow from operating activities prior to changes in non-cash working capital. Net petroleum and natural gas revenue represents revenue less royalties, realized hedging gains and losses, operating expenses and transportation expenses. Management of the Corporation believes that, in addition to net income, funds flow from operations and net petroleum and natural gas revenue are useful supplemental measures as they provide an indication of the Corporation's operating performance and liquidity. Readers should be cautioned, however, that these measures should not be construed as an alternative to net income determined in accordance with Canadian GAAP as an indication of the Corporation's performance.

The head office and the registered office of the Corporation are located at Suite 1530, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.

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GLOSSARY

In this Prospectus, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**bcf**" means billion cubic feet;

"**BOE/d**" means barrels of oil equivalent per day; natural gas reserves and volumes recorded in thousand cubic feet are converted to barrels of oil equivalent ("**BOE**") on the basis of six thousand cubic feet ("**mcf**") of gas to one barrel ("**bbl**") of oil; the term "barrels of oil equivalent" may be misleading, particularly if used in isolation; a BOE conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead;

"**Closing**" means closing of the Offering;

"**Closing Date**" means March 8, 2011 or such other date as the Corporation and Underwriters may agree in writing;

"**Common Shares**" means the common shares in the capital of the Corporation;

"**Corporation**" or "**Yangarra**" means Yangarra Resources Ltd.;

"**Lead Underwriter**" means Haywood Securities Inc.;

"**MMcf**" means million cubic feet;

"**NGLs**" means natural gas liquids;

"**Offered Shares**" mean the Common Shares offered pursuant to this short form prospectus and as to context requires, include the Common Shares issuable pursuant to the Over-allotment Option;

"**Offering**" means the offering of the Offered Shares;

"**Offering Price**" means \$0.73 per Offered Share;

"**Principal Regulator**" means the Alberta Securities Commission or such other securities regulatory authority as may be determined pursuant to Multilateral Instrument 11-102 *Passport System*;

"**Qualifying Jurisdictions**" means Alberta, British Columbia, Saskatchewan and Ontario;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.) and the regulations thereunder, as amended;

"**TSXV**" means the TSX Venture Exchange;

"**Underwriters**" means, collectively, the Lead Underwriter, GMP Securities L.P. and Acumen Capital Finance Partners Limited; and

"**Underwriting Agreement**" means the underwriting agreement dated effective as of February 17, 2011 with respect to the Offering between the Corporation and the Underwriters as more particularly described under the heading "Plan of Distribution".

Words importing the singular also include the plural and vice versa and words imports any gender include all genders.

All dollar amounts in this Prospectus are in Canadian dollars unless otherwise stated.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated herein by reference, contain forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other similar terminology. These statements are only predictions. Actual events or results may differ materially. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Forward-looking statements in this Prospectus include, but are not limited to, statements with respect to:

- the use of proceeds of the Offering;
- the performance characteristics of the Corporation's oil, NGLs and natural gas properties;
- oil, NGLs and natural gas production levels;
- the size of the oil, NGLs and natural gas reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- future funds from operations;
- capital programs;
- debt levels;
- future royalty rates;
- future depletion, depreciation and accretion rates;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs.

The forward-looking statements and information contained in this Prospectus and in the documents incorporated by reference herein are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities and the availability and cost of labour and services.

Although the Corporation believes that the expectations reflected in the forward-looking statements and information in this Prospectus and in the documents incorporated by reference herein are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources, changes in tax, royalty and environmental legislation and the risks under the heading "Risk Factors" herein. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future.

Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors under the heading "Risk Factors" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of Yangarra, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this Prospectus or in any of the documents incorporated by reference herein are made as of the date of the respective document.

The forward-looking statements and information contained in this Prospectus and in the documents incorporated by reference herein are made as of the date hereof and, unless so required by applicable law, neither the Corporation nor the Underwriters undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. The forward-looking statements and information contained in this Prospectus and in the documents incorporated by reference herein are expressly qualified by this cautionary statement.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the President and Chief Executive Officer of the Corporation at Suite 1530, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6 (telephone number: (403) 262-9558) or by accessing the disclosure documents available through the internet at www.sedar.com.

The following documents of the Corporation, filed with the securities commissions or similar authorities in certain of the provinces in Canada, are specifically incorporated into and form an integral part of this Prospectus:

- (a) the revised annual information form of the Corporation dated November 19, 2010 (the "**AIF**") for the fiscal year ended December 31, 2009;
- (b) the refiled unaudited interim consolidated financial statements of the Corporation and the notes thereto as at and for the three and nine months ended September 30, 2010 and 2009 (the "**Q3 2010 Financial Statements**");
- (c) the refiled management's discussion and analysis of the financial condition and results of operations of the Corporation for the three and nine months ended September 30, 2010 and 2009 (the "**Q3 2010 MD&A**");
- (d) the audited annual consolidated financial statements of the Corporation and the notes thereto for the fiscal years ended December 31, 2009 and 2008, together with the auditors' report thereon;
- (e) the amended management's discussion and analysis of the financial condition and results of operations of the Corporation for the fiscal years ended December 31, 2009 and 2008;
- (f) the management information circular of the Corporation dated September 9, 2010 regarding the annual and special meeting of shareholders held on October 14, 2010;
- (g) the management information circular of the Corporation dated January 29, 2010 regarding the special meeting of shareholders held on March 4, 2010;
- (h) the management information circular of the Corporation dated July 21, 2009 regarding the annual and special meeting of shareholders held on August 25, 2009;
- (i) the material change report of the Corporation dated November 15, 2010 relating to the entering into of a credit facility agreement with Alberta Treasury Branches ("**ATB**") to provide a new revolving operating loan in the maximum amount of \$9,000,000;
- (j) the material change report of the Corporation dated October 28, 2010 relating to the closing of the second tranche of the brokered private placement of flow-through special warrants at \$0.75 each and common share special warrants at \$0.65 each (the "**Special Warrant Financing**");
- (k) the material change report of the Corporation dated October 25, 2010 relating to the closing of an asset acquisition in the Ferrier/Willesden Green area of Alberta and the first tranche of the Special Warrant Financing;
- (l) the material change report of the Corporation dated June 28, 2010 relating to the closing of a private placement of 1,650,000 common shares of the Corporation at a price of \$0.56 per share and 1,650,000 flow-through common shares of the Corporation at a price of \$0.60 per share for aggregate gross proceeds of \$1,914,000;

- (m) the material change report of the Corporation dated May 26, 2010 relating to the reduction of the size of a private placement that closed on May 21, 2010;
- (n) the material change report of the Corporation dated May 25, 2010 relating to the closing of a private placement of 4,200,000 flow-through common shares of the Corporation at a price of \$0.55 per share for aggregate gross proceeds of \$2,310,000;
- (o) the material change report of the Corporation dated March 17, 2010 relating to the closing of a private placement of 80,000,000 units at a price of \$0.075 per unit for aggregate gross proceeds of \$6,000,000;
- (p) the material change report of the Corporation dated January 28, 2010 relating to the appointment of Mr. Ron Gardiner as Vice President of Exploration of the Corporation; and
- (q) the material change report of the Corporation dated January 7, 2010 relating to the appointment of Mr. Joseph Durante to the board of directors of the Corporation.

Any material change reports (except confidential material change reports), comparative interim financial statements, management's discussion and analysis for interim financial periods, comparative financial statements for the most recently completed financial year (together with the accompanying report of the auditors), management's discussion and analysis for the most recently completed financial year, press releases or public communications containing financial information about the Corporation for a financial period more recent than the period for the annual or interim financial statements specifically incorporated by reference herein which is publicly disseminated by or on behalf of the Corporation, business acquisition reports, annual information form and any information circular and any other type of document required to be incorporated by reference hereunder pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* filed by the Corporation with the applicable securities commissions in the provinces where the Corporation is a reporting issuer subsequent to the date of this Prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for the purposes of this Prospectus, to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this Prospectus.

THE CORPORATION

Name and Incorporation

Yangarra was formed on May 1, 2010 as a result of an amalgamation under the ABCA between Yangarra and its wholly-owned subsidiary, Athabaska Energy Ltd. The Corporation's predecessor entity, also called Yangarra Resources Ltd., was formed on November 9, 2005 as a result of an amalgamation under the ABCA between TriOil Ltd. and Yangarra Resources Inc. ("**Yangarra Predecessor**"). Effective December 31, 2009, Yangarra Predecessor acquired all of the issued and outstanding shares of Athabaska Energy Ltd. by issuing 50,000,004 common shares in the capital of Yangarra Predecessor at a deemed price of \$0.05 per share. As at the date hereof, the Corporation has one wholly-owned subsidiary, Yangarra Resources Corp., which was incorporated under the ABCA.

The Corporation's head office and registered office are located at Suite 1530, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.

Summary Description of Business

Yangarra is a growth oriented, exploration focused oil and natural gas company. The Corporation is involved in the production, exploration and development of resource properties in the Ferrier/Willesden Green, Medicine Hat, Jaslan, Viking, Mega and Bigstone areas of Alberta. As of December 31, 2009, Yangarra's oil and gas assets produced approximately 300 boe/d of oil, natural gas and NGLs. As at the date hereof, Yangarra's oil and gas assets produce approximately 1,000 boe/d of

oil, natural gas and NGLs. Yangarra owns approximately 60,795 gross (45,025 net) acres of undeveloped land. See "Business of the Corporation" and "Statement of Reserves Data and Other Oil and Gas Information" in the AIF.

Recent Developments

On October 25, 2010, the Corporation completed an asset acquisition in the Ferrier/Willesden Green area of Alberta (the "**Asset Acquisition**"). The assets include 31 sections of land (12.3 net), 10 gross producing wells (4.25 net) and 9 gross standing wells (4.8 net). The purchase price was approximately \$4,000,000 with current production of approximately 50 boe/d, 90% weighted to oil. According to the independent reserve report presented by the vendor, with an effective date of February 28, 2010, the assets include reserves of 266,134 boe on a proved plus probable basis. The Asset Acquisition did not constitute a "significant acquisition" as defined in National Instrument 51-102 *Continuous Disclosure Obligations*. Also, the Corporation completed the first tranche of the Special Warrant Financing for gross proceeds of \$4,901,000.00.

On October 28, 2010, the Corporation completed the second tranche of the Special Warrant Financing for gross proceeds of \$8,099,000.25.

On November 8, 2010, the Corporation announced the flow test results of its fourth horizontal well in the Willesden Green area of Alberta, which is currently on stream in the production phase. The well flowed at rates exceeding 10.0 mmcf/d of natural gas, flowing on a 24/64 choke and flowed at a rate of 2,543 boe/d when the NGLs and oil were calculated in the flow stream. Subsequently, on January 10, 2011, the Corporation announced that the well averaged 760 boe/d over the first 30 days of production.

On November 15, 2010, the Corporation announced the entering into of a credit facility agreement with ATB to provide a revolving operating loan in the maximum amount of \$9,000,000 (\$8,500,000 in November 2010 based on production in the month of October 2010 and \$9,000,000 in December 2010 based on production in the month of November 2010). The loan amount depends on a progressive schedule contingent on the Corporation providing ATB with production history that is not materially adverse from its independent reserves report effective December 31, 2009 and an internally prepared report relating to its assets which was provided to ATB in September 2010. The Corporation currently has approximately \$1 million drawn on the credit facility.

The credit facility is available by way of: (a) prime-based loans in Canadian dollars with interest payable in Canadian dollars at ATB's prime rate plus the Applicable Facility #1 Margin (as defined below) per annum; (b) letters of credit/letters of guarantee in Canadian dollars with an applicable fee of 2% per annum; and (c) a corporate MasterCard (to a maximum of \$100,000) with an applicable fee. The credit facility has a non-refundable facility fee calculated at a rate equal to the Applicable Facility #1 Margin (as defined below) which is payable monthly in Canadian dollars on the last day of each month, calculated daily on the unused portion of the authorized amount of the credit facility. The Applicable Facility #1 Margin will be equal to the percentage rate per annum set out in the following table opposite the applicable net debt to trailing cash flow ratio for the Corporation at the time of determination:

Level	Net Debt to Trailing Cash Flow Ratio	Prime-based loans	Facility Fee
I	<1 to 1	1.00%	0.35%
II	≥1 to 1	1.50%	0.45%

The facility is secured by a general security agreement over all present and after-acquired personal property of the Corporation and a floating charge on all present and after-acquired land interest of the Corporation. The facility is guaranteed by the Corporation's wholly-owned subsidiary, Yangarra Resources Corp. (the "**Guarantor**"), and the guarantee is secured by a general security agreement over all present and after-acquired personal property and a floating charge on all present and after-acquired land interest of the Guarantor. The credit facility is payable in full on demand by ATB and ATB may terminate the credit facility at any time without notice.

A copy of the commitment letter of ATB dated November 9, 2010 and accepted by the Corporation and the Guarantor on November 10, 2010 is available electronically at www.sedar.com.

The Corporation's credit facility with its previous banker has been paid out and terminated.

On December 20, 2010 the Corporation increased its existing credit facility agreement with ATB to \$14,500,000. The facility was increased to \$12,000,000 on December 20, 2010 and has been increased monthly since then based on production levels

with the intention to increase the facility to \$14,500,000 by March 2011. The terms of the facility remain unchanged and are on a normal commercial basis priced at ATB prime plus 1% rate.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Offered Shares are estimated to be \$13,981,418 after deducting the Underwriters' Fee of \$820,082 and the estimated expenses of the Offering of \$200,000. If the Over-allotment Option is exercised in full, the net proceeds of the Offering are estimated to be \$16,096,629.50 after deducting the Underwriters' Fee of \$955,095.50 and estimated expenses of the Offering of \$200,000. See "Plan of Distribution".

The Corporation intends to use the net proceeds of the Offering to increase its 2011 capital budget to \$50.0 million, to accelerate its drilling and land acquisition program in the Willesden Green/Ferrier area of Alberta. The 2011 capital budget includes: \$38.8 million for the drilling of 31 gross (13.7 net) horizontal oil wells at an average cost of \$2.83 million per well; \$8 million for land acquisitions, however, the Corporation does not presently have any specific acquisitions under contract; and \$3.2 million in miscellaneous infrastructure.

The use of the net proceeds of the Offering by the Corporation is consistent with the Corporation's stated business objectives of growing its core properties with good investment characteristics in areas in which the Corporation has technical expertise and creating sustainable and profitable per share growth in reserves, production and cash flow in western Canada. There is no particular significant event or milestone that must occur for the Corporation's business objectives to be accomplished. While the Corporation believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "Risk Factors" in this short form prospectus and in the AIF.

While the Corporation intends to use the net proceeds as stated above, there may be circumstances where a re-allocation of the net proceeds may be advisable for business reasons that management believes are in the Corporation's best interests. Due to the nature of the oil and gas industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities that may become available to the Corporation. In addition, the ability of the Corporation to carry out operations will depend upon the decisions of other working interest owners in its properties. Accordingly, while the Corporation intends to spend the funds available to it as stated in this short form prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement: (i) the Corporation has agreed to issue and sell the Offered Shares to the Underwriters and the Underwriters have severally agreed to purchase, as principals, from the Corporation the Offered Shares on the Closing Date, subject to the terms and conditions stated therein, at the Offering Price subject to compliance with all necessary legal requirements and terms and conditions of the Underwriting Agreement. In consideration for their services in connection with the Offering, the Underwriters will be paid a fee of \$0.039907 per Offered Share, for an aggregate fee of \$820,082. The offering price of the Offered Shares was determined by negotiation between the Corporation and the Lead Underwriter on behalf of the Underwriters. The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. In certain circumstances, if an Underwriter fails to purchase the Offered Shares which it has agreed to purchase, the Underwriters may, but are not obligated to, purchase such Offered Shares. The Underwriters are, however, obligated to take up and pay for all Offered Shares if any Offered Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders, partners and employees against certain liabilities and expenses.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on the Closing Date.

The Corporation has granted the Underwriters the Over-allotment Option, exercisable in whole or in part from time to time after the closing of the Offering until 30 days following the closing of the Offering, to purchase up to an additional 3,082,500 Common Shares at the Offering Price on the same terms and conditions as the Offering for the purposes of covering the over-allotments, if any and for market stabilization purposes. If the Underwriters exercise the Over-allotment Option in full, the total Offering, Underwriters' Fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$17,251,725, \$955,095.50 and \$16,296,629.50, respectively. This short form prospectus also qualifies for distribution the grant of the Over-allotment Option and the issuance of the Common Shares that are sold pursuant to the exercise thereof. A purchaser who acquires Common Shares forming any part of the Underwriters' over-allocation position acquires those

Common Shares under this short form prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-allotment Option or secondary market purchases.

The obligations of the Underwriters under the Underwriting Agreement may be terminated upon the occurrence of certain stated events. The Underwriters are obligated to take up and pay for all of the Offered Shares (other than pursuant to the Over-allotment Option except to the extent it shall have been exercised) if any are purchased under the Underwriting Agreement.

The TSXV has conditionally accepted the listing of the Offered Shares (including any Common Shares issuable pursuant to the Over-allotment Option) on the TSXV. The listing of such shares is subject to the Corporation fulfilling all of the requirements of the TSXV.

The Offering is being made concurrently in each of the Qualifying Jurisdictions. Each of the Underwriters will offer the Offered Shares for sale in the Qualifying Jurisdictions either directly or through their respective broker-dealer affiliates or agents registered in each Qualifying Jurisdiction. No securities will be sold in any province or territory of Canada except by a dealer appropriately registered under the securities laws of that jurisdiction or pursuant to an exemption from the registered dealer requirements of the securities law of that jurisdiction.

The Offered Shares will be issued as "book-entry only" securities (other than Offered Shares issued to subscribers located in the United States (as such term is defined in Regulation S under the U.S. Securities Act) which will be issued in definitive form to each purchaser) and will be directly deposited with CDS or its nominee and must be transferred through a participant (a "**Participant**") in the depository service of CDS. Registration of interests in and transfers of the Offered Shares will be made only through the depository services of CDS. Except as described below, a purchaser acquiring a beneficial interest in the Offered Shares (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the transfer agent of the Corporation (the "**Transfer Agent**") or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the Underwriters or other registered dealer from whom Offered Shares are purchased. Neither the Corporation nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Offered held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Offered Shares; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants with respect to the transfer, sale and other dealings with the Offered Shares. As indirect holders of the Offered Shares, investors should be aware that they (subject to the situations described below): (a) may not have the Offered registered in their name; (b) may not have physical certificates representing their interest in the Offered Shares; (c) may not be able to sell the Offered Shares to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Offered Shares as security. The Offered Shares will be issued to Beneficial Owners in fully registered and certificated form only if: (a) CDS or the Corporation has notified the Transfer Agent that CDS is unwilling or unable to continue as the depository or CDS ceases to be a clearing agency in good standing under applicable laws and, in either case, the Corporation is unable or does not wish to locate a qualified successor depository; (b) the Corporation has determined, in its sole discretion, to terminate the book-entry only system in respect of the Offered Shares and has communicated such determination to the Transfer Agent in writing; (c) the book-entry only system administered by CDS ceases to exist; or (d) CDS or the Corporation are required by law to provide registered and certificated Offered Shares. Certificates representing any Offered Shares that are sold in the United States will be in the form of definitive physical certificates and will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act and applicable securities laws of any state of the United States and may only be offered, sold, pledged, transferred, or otherwise disposed of, directly or indirectly, pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and in accordance with applicable securities laws of any state of the United States.

Subject to applicable laws, the Corporation has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions, including by way of over-allotments and the exercise of the Over-allotment Option, that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Corporation has agreed, pursuant to the Underwriting Agreement, that, from the date of the Underwriting Agreement and ending on the date that is 120 days following the Closing Date, it will not offer, nor announce the offering of, nor make or announce any agreement to issue, sell, or exchange any Common Shares or any securities of the Corporation convertible into or exchangeable for Common Shares without the prior consent of the Underwriters, not to be unreasonably withheld, other than pursuant to the Underwriting Agreement or for purposes of the Corporation's stock option plan or to satisfy the instruments outstanding as at the date of the Underwriting Agreement.

The Underwriters propose to offer the Offered Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. In the event the offering price of the Offered Shares is reduced, the compensation received by the Underwriters will be decreased by the amount the aggregate price paid by the purchasers for the Offered Shares is less than the gross proceeds paid by the Underwriters to the Corporation for the Offered Shares. Any such reduction will not affect the proceeds received by the Corporation.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and, accordingly, may not be offered or sold within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Except as permitted by the Underwriting Agreement and as expressly permitted by applicable laws of the United States, the Underwriters will not offer or sell Offered Shares within the United States. The Underwriting Agreement permits the Underwriters, through their United States registered broker-dealer affiliates, to (i) offer and resell Offered Shares, purchased from the Corporation, in the United States to "qualified institutional buyers", as such term is defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**"), in accordance with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) designate certain "accredited investors", as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act, as substituted purchasers to whom the Corporation may sell Offered Shares in transactions that comply with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506 of Regulation D thereunder, and in each case in accordance with similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. The Offered Shares that are offered or sold in the United States will be "restricted securities" within the meaning of Rule 144 of the U.S. Securities Act and the certificates representing such Offered Shares will contain a legend to the effect that the Offered Shares have not been registered under the U.S. Securities Act and may only be offered, sold or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares in the United States. In addition, until 40 days after the commencement of the Offering, any offer or sale of Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at September 30, 2010 and as at December 31, 2010 both before and after giving effect to the Offering.

Capital	As at September 30, 2010 (unaudited)	As at December 31, 2010 before giving effect to the Offering	As at December 31, 2010 after giving effect to the Offering ⁽⁴⁾
Bank Debt (\$13,500,000) ⁽¹⁾	\$5,011,467	\$5,547,512	\$5,547,512
Common Shares (unlimited) ⁽²⁾	\$50,659,642 (60,713,460 shares)	\$63,828,642 (79,718,057 shares)	\$78,830,142 (100,268,057 shares)
Preferred Shares (unlimited) ⁽³⁾	\$1,000,000 (1,000,000 shares)	\$1,000,000 (1,000,000 shares)	\$1,000,000 (1,000,000 shares)

Notes:

- (1) The Corporation currently has a revolving operating loan with ATB in the maximum amount of \$13,500,000, which will be increased to \$14,500,000 in March 2011. The credit facility bears interest at bank prime plus 1% per annum, increased to bank prime plus 1.5% if the Company's net debt to trailing cash flow ratio is equal to or greater than 1 to 1. The facility is secured by a general security agreement over all present and after acquired personal property and a floating charge on all present and after acquired land interest of the Corporation. As at December 31, 2010, the maximum availability of the revolving operating demand loan was \$9,000,000 (December 31, 2009 – \$8,300,000). As at December 31, 2010, the \$5,547,512 reported amount of bank debt was comprised of \$4,600,000 drawn on the revolving operating demand loan and \$947,512 of bank overdraft. Please refer to the Q3 2010 Financial Statements and the Q3 2010 MD&A, which are incorporated herein by reference and are available electronically at www.sedar.com.
- (2) As at September 30, 2010, there were 6,052,905 options outstanding to acquire Common Shares and 9,720,000 Common Share purchase warrants outstanding. As at December 31, 2010, there were 7,808,800 options outstanding to acquire Common Shares at a weighted average exercise price of \$0.67 and 9,452,000 Common Share purchase warrants outstanding at a weighted average exercise price of \$0.50.

- (3) As at the date hereof, September 30, 2010 and December 31, 2009, the Corporation had 1,000,000 preferred shares issued and outstanding with an annual cumulative dividend rate of 5% payable semi-annually in cash or Common Shares. The preferred shares have an eighteen month term, at which time they are redeemable for \$1,000,000 in cash. As the terms of the preferred shares provide for a mandatory redemption at a fixed amount, they are classified as a financial liability.
- (4) After deducting expenses of the Offering, estimated to be \$200,000 and the Underwriters' fee of \$820,082. Amounts do not include exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Common Share capital of the Corporation would be \$79,925,271.50, (103,350,557 Common Shares) after deducting the expense of the Offering of \$200,000 and the Underwriters' fee of \$955,095.50.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Capital Structure

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of Series A First Preferred Shares and an unlimited number of Second Preferred Shares. As at the date hereof, there are 79,898,057 Common Shares, 1,000,000 Series A First Preferred Shares and nil Second Preferred Shares issued and outstanding.

Common Shares

The holders of Common Share are entitled (i) to dividends if, as and when declared by the board of directors of the Corporation; (ii) to one (1) vote per share at any meeting of the shareholders of the Corporation; and (iii) upon liquidation, to receive all assets of the Corporation as are distributable to the holders of the Common Shares.

PRIOR SALES

Prior Sales

In the twelve (12) months prior to the date hereof, no Common Shares or securities exchangeable or convertible into Common Shares have been issued by the Corporation other than as described in the following table. Please note that any securities issued by the Corporation prior to April 28, 2010 have been disclosed on a pre-consolidated (5-for-1) basis and any securities issued by the Corporation on or after April 28, 2010 have been disclosed on a post-consolidated (5-for-1) basis.

Date of Issuance	Description of Transaction	Number of Securities Issued	Price per Security
2010			
January 7	Stock option grant	500,000 Options	\$0.10 ⁽¹⁾
March 17	Private placement of units (each unit comprised of one Common Share and one-half of one Common Share purchase warrant)	80,000,000 Units ⁽²⁾	\$0.075
April 13	Exercise of flow-through warrants	1,400,000 Flow-Through Common Shares	\$0.10
April 26	Stock option grants	1,000,000 Options	\$0.10 ⁽¹⁾
May 25	Private placement of flow-through Common Shares	3,745,454 Flow-Through Common Shares	\$0.55
June 28	Private placement of Common Shares and flow-through Common Shares	1,650,000 Common Shares 1,650,000 Flow-Through Common Shares	\$0.56 \$0.60
June 29	Stock option grants	1,600,000 Options	\$0.60 ⁽¹⁾
July 30	Stock option grants	715,000 Options	\$0.55 ⁽¹⁾
October 19	Exercise of warrants	56,000 Common Shares	\$0.50
October 25	Private placement of Common Share Special Warrants and Flow-Through Special Warrants	10,000,000 Common Share Special Warrants 8,666,667 Flow-Through Special Warrants	\$0.65 \$0.73
November 7	Stock option grants	25,000	\$0.70 ⁽¹⁾
November 11	Exercise of warrants	132,000	\$0.50
November 24	Exercise of stock options	70,000	\$0.50
November 25	Stock option grants	1,955,000	\$0.86 ⁽¹⁾
November 29	Exercise of warrants	70,000	\$0.50
December 13	Exercise of warrants	10,000	\$0.50

2011

January 11	Exercise of warrants	10,000	\$0.50
January 14	Exercise of warrants	150,000	\$0.50
February 3	Exercise of warrants	20,000	\$0.50

Notes:

- (1) Represents exercise price by which the holder can acquire one Common Share in respect of each stock option held.
- (2) Each warrant was exercisable into one Common Share at a price of \$0.10 until March 15, 2012.

Price Range and Trading Volume of the Common Shares

The outstanding Common Shares are listed for trading on the TSXV under the symbol "YGR". The following table sets forth the high and low prices and the aggregate trading volume of the Common Shares as reported by the TSXV for the twelve (12) month period prior to the date hereof adjusted to reflect the 5-for-1 share consolidation which was effective on April 28, 2010.

Period	High (\$)	Low (\$)	Volume
2010			
January	\$0.500	\$0.200	1,690,123
February	\$0.475	\$0.370	909,502
March	\$0.775	\$0.400	731,786
April	\$0.800	\$0.575	315,983
May	\$0.690	\$0.405	1,075,187
June	\$0.600	\$0.490	3,694,404
July	\$0.550	\$0.435	2,653,051
August	\$0.730	\$0.530	1,418,834
September	\$0.760	\$0.550	1,149,158
October	\$0.740	\$0.610	1,670,647
November	\$0.88	\$0.69	2,076,439
December	\$0.80	\$0.74	1,381,429
2011			
January	\$0.87	\$0.75	1,741,117
February 1 - 24	\$0.81	\$0.74	3,153,216

ELIGIBILITY FOR INVESTMENT

In the opinion of Gowling Lafleur Henderson LLP, counsel to the Corporation, and Burnet, Duckworth & Palmer LLP, counsel to the Underwriters, based on the provisions of the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), the Offered Shares if issued on the date hereof, would be a "qualified investment" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax free savings accounts ("**TFSA**") (collectively, "**Plans**"), provided that the Common Shares are listed on a designated stock exchange (which currently includes the TSXV) at such time. Notwithstanding that the Offered Shares may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Offered Shares held in the TFSA if such Offered Shares are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Offered Shares will generally be a "prohibited investment" if the holder of the TFSA does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder of the TFSA has a "significant interest" (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. Holders considering acquiring or holding Offered Shares in a Plan should consult their own advisors.

INTEREST OF EXPERTS

The following persons or companies whose profession or business gives authority to a statement, report or valuation made by such person or company are named as having prepared or certified a statement, report or valuation in this Prospectus, either directly or in a document incorporated by reference: Meyers Norris Penny LLP, the Corporation's auditors, AJM Petroleum Consultants Ltd., engineering consultants of the Corporation, Gowling Lafleur Henderson LLP, counsel to the Corporation, and Burnet, Duckworth & Palmer LLP, counsel for the Underwriters. AJM Petroleum Consultants Ltd.'s engineering evaluation is

referenced under the heading "Statement of Reserves Data and Other Oil and Gas Information" in the AIF. Gowling Lafleur Henderson LLP, counsel for the Corporation, and Burnet, Duckworth & Palmer LLP, counsel for the Underwriters, have provided opinions in this Prospectus under the headings "Canadian Federal Income Tax Considerations" and "Eligibility for Investment". Meyers Norris Penny LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. As at the date hereof, the designated professionals of Gowling Lafleur Henderson LLP, as a group, own beneficially, directly or indirectly, less than 1.0% of the Common Shares. As at the date hereof, the designated professionals of Burnet, Duckworth & Palmer LLP, as a group, own, directly or indirectly, 1.9% of the Common Shares.

Other than as set forth above, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

RISK FACTORS

A prospective investor should consider carefully the risk factors set out below and in the documents incorporated by reference herein. In addition, prospective investors should carefully review and consider all other information contained in this Prospectus or incorporated by reference in this Prospectus before making an investment decision and consult their own experts where necessary.

The risk factors contained in the AIF are incorporated herein by reference.

Market for the Common Shares

The Corporation has applied to list the Offered Shares offered under this short form prospectus on the TSXV. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSXV. There can be no assurance that an active public market for trading in the Common Shares will persist and the share price may decline below the Offering Price.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Note Regarding Forward-Looking Statements". In addition, the market price for securities in the stock markets, including the TSXV, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

Availability of Equipment and Qualified Personnel and Related Costs

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified personnel in the particular areas where such activities will be conducted. Demand for such limited equipment and qualified personnel may affect the availability of such equipment and qualified personnel to Yangarra and may delay Yangarra's exploration and development activities. In addition, the costs of qualified personnel and equipment in the area where Yangarra's assets are located are very high due to the availability of, and demands for, such qualified personnel and equipment in the area.

Forward-Looking Information May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "Note Regarding Forward-Looking Statements".

Investment Returns

Other than the \$25,000 cash dividends on the Series A First Preferred Shares paid by Yangarra to Toscana Capital Corporation on July 30, 2010 in relation to a restructuring proposal annual dividend of 5% payable semi-annually as described in further details in the AIF, Yangarra has never paid a dividend nor made a distribution on any of its securities. Further, Yangarra may never achieve a level of profitability that would permit payment of dividends or making other forms of distributions to securityholders. In any event, given the stage of Yangarra's development, it will likely be a long period of time before Yangarra could be in a position to make dividends or distributions to its investors. The payment of any future dividends by Yangarra will be at the sole discretion of its board of directors. In this regard, Yangarra currently intends to retain earnings to finance the expansion of its business and does not anticipate paying dividends in the foreseeable future.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Yangarra cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Yangarra's business, financial condition, results of operations and cash flows.

Additional Risk

Additional risks not currently known to the Corporation or that the Corporation currently deems immaterial, may also impair the Corporation's operations.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Yangarra Resources Ltd. (the "Corporation") dated February 25, 2011 relating to the qualification for distribution of 20,550,000 common shares in the capital of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss, and deficit and cash flows for the years then ended. Our report is dated April 26, 2010.

(signed) *"Meyers Norris Penny LLP"*
Meyers Norris Penny LLP
Chartered Accountants

Calgary, Canada
February 25, 2011

CERTIFICATE OF THE CORPORATION

Date: February 25, 2011

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of Alberta, British Columbia, Saskatchewan and Ontario.

(signed) "*James Evaskevich*"
James Evaskevich
President and Chief Executive Officer

(signed) "*James Glessing*"
James Glessing
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "*Gordon A. Bowerman*"
Gordon A. Bowerman
Director

(signed) "*Arthur E. Dumont*"
Arthur E. Dumont
Director

CERTIFICATE OF THE UNDERWRITERS

Date: February 25, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of Alberta, British Columbia, Saskatchewan and Ontario.

HAYWOOD SECURITIES INC.

(signed) "*Kent Porteous*"

GMP SECURITIES L.P.

(signed) "*Neil Duffy*"

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

(signed) "*W. Scott McGregor*"