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## **Yangarra Announces Second Quarter 2011 Financial and Operating Results**

**August 25, 2011**

**Yangarra Resources Ltd. ("Yangarra" or the "Company")** (TSXV:YGR) is pleased to announce its financial and operating results for the three and six months ended June 30, 2011.

### Highlights and accomplishments in the second quarter of 2011 included

- Average daily production was 975 boe/d (39% oil and NGL's), which is a 13% increase from the first quarter.
- Net income before tax of \$3.5 million, which included \$1.9 million of mark-to-market hedging gains.
- Oil and gas sales during quarter were \$4.3 million with cash flow from operations of \$3.2 million (\$0.03 per share - basic) a 19% and 24% increase from the first quarter of 2011, respectively.
- Operating costs, including transportation, were \$8.95/boe.
- Operating netback of \$39.12 per boe, a 3% increase from the \$37.94 per boe reported in the first quarter of 2011.
- Capital expenditures were \$7.2 million in the quarter and are \$25 million year to date.
- As at June 30, 2011, the Company had a working capital deficit of \$5,958,477 resulting in a debt to annualized trailing quarter cash flow ratio of 0.46 to 1.

### Operations Update

- Current production is approximately 2,000 boe/d (45% oil and NGL's) with 6 gross (3.9 net) horizontal (HZ) wells remaining to be placed on-stream.
- Current production together with behind pipe volumes and the anticipated volumes from the planned drilling program will allow Yangarra to reach its 2011 exit guidance of 2,500 boe/d.
- Yangarra plans to spend the remaining \$25 million capital of the \$50 million 2011 capital program during the second half of 2011, drilling approximately 13 gross (8.7 net) wells with the two drilling rigs currently under contract.
- ERCB has approved the holding application for down-spacing in a Glauconite gas pool which was re-designated to an oil pool and the two HZ Glauconite shut-in wells have been restarted.
- The planned Second White Specs zone fracture stimulation was successfully conducted on August 22, 2011 and the flow-test results will be released as they are available.

- The Rock Creek well was put on production in August as planned and is producing above expectations, more information will be provided after the well has been on-stream for 30 days.
- The Company purchased its partners interest in the Jaslan area and now operates with a 100% working interest in the field and compression facility.
- The Company has tested various fracture processes on multi-well pads in the Cardium formation and these comparisons indicate that propane fracs result in significantly enhanced Estimated Ultimate Recoveries (“EUR”), the effect in our other formations is currently being evaluated.
  - The Company, in cooperation with GasFrac Energy Services Inc., has been testing a recovery system for the propane utilized during fracturing and significant volumes of propane have a been recovered from two Yangarra wells and has either been re-used on subsequent propane fracs or sold.

### Hedging program

Yangarra’s capital program for the remainder of 2011 and 2012 is based on \$90/bbl WTI oil. In order to protect the future cash flow streams required for these capital expenditures, the Company has structured a strong hedging program for 2011 – 2013:

- 400 bbl/d of oil is hedged for the remainder of 2011, with an additional 300 bbl/d hedged for the fourth quarter of 2011. The hedges are in various instruments with floors from \$93.85/bbl – \$95.00/bbl WTI in Canadian Funds (“CAD”).
- A total of 500 bbl/d of oil is hedged for 2012 in various instruments with floors from \$95.00/bbl – \$99.00/bbl WTI CAD.
- A total of 200 bbl/d of oil is hedged for 2013 in various instruments with a floor of \$98.00/bbl WTI CAD.

### Operations Summary

	2011		2010	Six months ended	
	Q2	Q1	Q2	2011	2010
<b>Daily production volumes</b>					
Natural gas (mcf/d)	3,594	2,978	1,874	3,288	1,946
Oil (bbl/d)	265	258	29	262	21
NGL's (bbl/d)	103	86	12	94	12
Royalty income (boe/d)	8	23	-	15	-
Combined (boe/d 6:1)	975	863	354	919	356
<b>Product pricing</b>					
Oil (\$/bbl)	\$ 100.30	\$ 86.66	\$ 69.32	\$ 93.49	\$ 71.45
NGL (\$/bbl)	\$ 64.69	\$ 62.53	\$ 53.78	\$ 63.57	\$ 54.58
Gas (\$/mcf)	\$ 3.99	\$ 3.80	\$ 3.50	\$ 3.88	\$ 4.11
Combined (\$/boe)	\$ 48.71	\$ 46.70	\$ 26.03	\$ 47.77	\$ 28.67
<b>Revenue</b>					
Petroleum & natural gas sales - Gross	\$ 4,283,356	\$ 3,628,974	\$ 839,054	\$ 7,807,900	\$ 1,848,242
Royalty income	\$ 35,848	\$ 104,430	\$ -	\$ 140,278	\$ -
Royalty expense	\$ (56,547)	\$ (143,368)	\$ (28,112)	\$ (199,915)	\$ (68,700)
Petroleum & natural gas sales - Net	\$ 4,262,657	\$ 3,590,036	\$ 810,942	\$ 7,748,263	\$ 1,779,542

## Operating Netback Summary

	2011		2010	Six months ended	
	Q2	Q1	Q2	2011	2010
Revenues	\$ 48.31	\$ 46.70	\$ 26.03	\$ 47.77	\$ 28.67
Royalty income	0.40	1.34	-	0.84	-
Royalty expense	(0.64)	(1.85)	(0.87)	(1.20)	(1.07)
Production costs	(7.92)	(7.36)	(10.12)	(7.66)	(9.29)
Transportation costs	(1.03)	(0.90)	(1.40)	(0.97)	(1.46)
Netback per boe	\$ 39.12	\$ 37.94	\$ 13.64	\$ 38.78	\$ 16.85

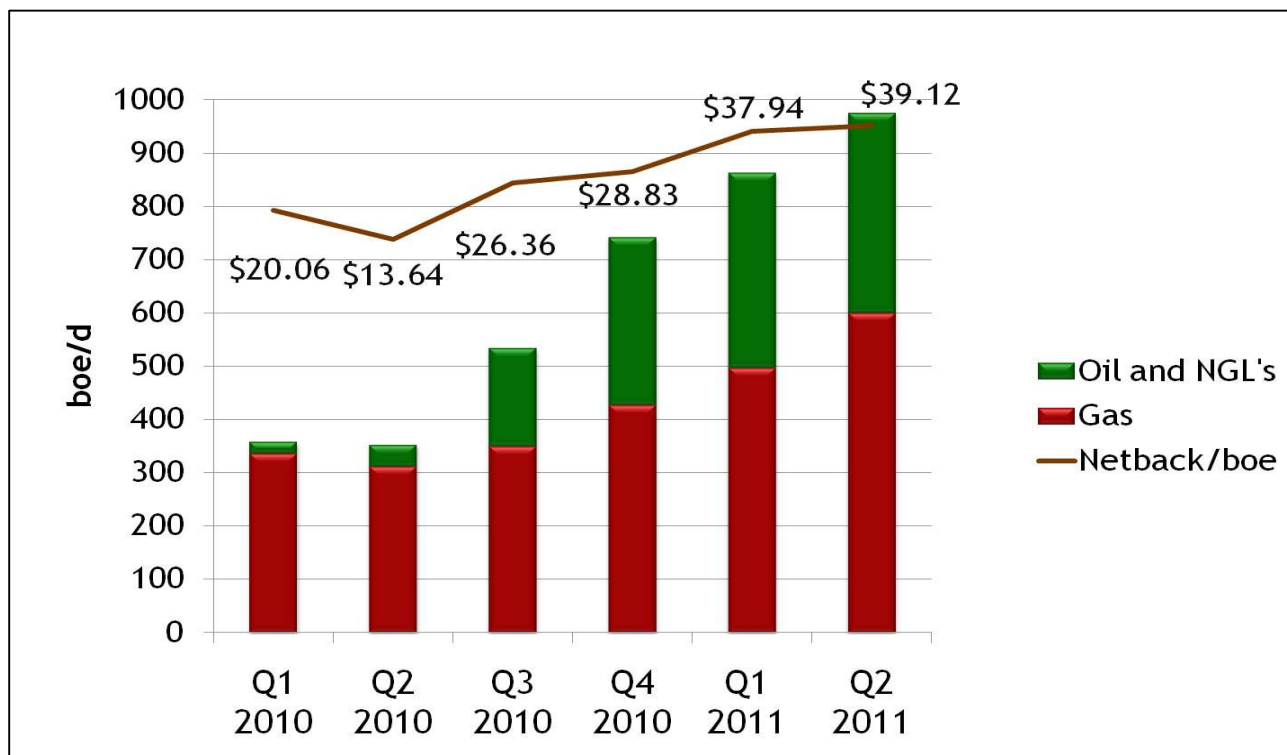
## Financial Summary

	2011		2010	Six months ended	
	Q2	Q1	Q2	2011	2010
<b>Statement of Operations and Deficit</b>					
Net (loss) income for the period	\$ 1,665,821	\$ (2,230,631)	\$ (1,185,541)	\$ (564,810)	\$ (1,332,660)
Net (loss) income per share - basic	\$ 0.02	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Net (loss) income per share - fully diluted	\$ 0.01	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted average number of shares - basic	104,762,826	94,940,372	55,459,414	95,427,181	47,711,200
Weighted average number of shares - fully diluted	113,332,471	102,633,685	55,459,414	103,996,826	47,711,200
<b>Statement of Cash Flows</b>					
Funds flow from operations	\$ 3,151,665	\$ 2,535,251	\$ 59,390	\$ 5,686,916	\$ 469,558
Funds flow from operations per share - basic	\$ 0.03	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.01
Funds flow from operations per share - fully diluted	\$ 0.03	\$ 0.02	\$ 0.00	\$ 0.05	\$ 0.01
<b>Balance Sheet</b>					
Property and equipment				\$86,947,461	\$44,610,066
Total assets				\$94,455,249	\$46,412,578

## Capital Expenditures

	2011		2010	Six months ended	
	Q2	Q1	Q2	2011	2010
Land and lease rentals	\$ 748,282	\$ 1,339,435	\$ 38,658	\$ 2,087,717	\$ 1,450,001
Drilling and completion	4,901,729	14,286,734	2,710,835	19,188,463	4,708,790
Geological and geophysical	255,136	170,632	53,894	425,768	179,326
Equipment	1,255,508	2,327,862	953,187	3,583,370	1,218,303
	\$ 7,160,655	\$18,124,663	\$ 3,756,574	\$25,285,318	\$ 7,556,420

## Quarterly Production and Operating Netback Graph



## 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](http://www.sedar.com)) and are available on the Company's website ([www.yangarra.ca](http://www.yangarra.ca)).

For further information, please contact James Glessing, Chief Financial Officer, at (403) 262-9558.

Natural gas has been converted to a barrel of oil equivalent (Boe) using 6,000 cubic feet (6 Mcf) of natural gas equal to one barrel of oil (6:1), unless otherwise stated. The Boe conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore Boe's may be misleading if used in isolation. References to natural gas liquids ("NGLs") in this news release include condensate, propane, butane and ethane and one barrel of NGLs is considered to be equivalent to one barrel of crude oil equivalent (Boe). One ("BCF") equals one billion cubic feet of natural gas. One ("Mmcf") equals one million cubic feet of natural gas. Operating netbacks are calculated as revenue from all products less operating costs.

### Forward looking information

Certain information regarding Yangarra set forth in this news release, including management's assessment of future plans, operations and operational results may constitute forward-looking statements under applicable securities law and necessarily involve risks associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserves estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

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

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