



JOURNEY ENERGY INC. REPORTS ITS THIRD QUARTER 2017 FINANCIAL RESULTS

CALGARY, November 6, 2017 /CNW/ - Journey Energy Inc. (JOY – TSX) (“**Journey**” or the “**Company**”) announces its financial and operating results for the three and nine month periods ending September 30, 2017. The complete set of financial statements and management discussion and analysis are posted on www.sedar.com and on the Company’s website www.journeyenergy.ca.

THIRD QUARTER 2017 HIGHLIGHTS

Highlights for the third quarter and to date are as follows:

- Achieved production of 10,088 boe/d, a 23% increase from the third quarter of 2016. Liquids (oil and natural gas liquids) production accounted for 4,505 boe/d or 45% of total production during the quarter.
- Generated \$4.8 million of funds flow, which was a 36% decrease from the third quarter of 2016. One time operating expenditures relating to turnarounds and pipeline integrity programs contributed to reduced funds flow in the quarter.
- Realized a loss of \$6.1 million in the quarter, compared to the \$18.4 million of net income in the third quarter of 2016.
- Received a corporate average commodity price of \$27.76/boe (including hedging gains), an 11% decrease from the third quarter of 2016. Liquids production accounted for 82% of total sales revenues as compared to 79% in 2016.
- Conducted tests on 47 key pipelines (96% pass rate) to provide confidence in the integrity of Journey’s infrastructure moving forward.
- Reaffirmed the Company’s \$125 million credit facility during its mid-year review. Journey was drawn approximately \$63 million on this facility as at September 30, 2017.

Financial and Operating Highlights

<i>Financial (\$000's except per share amounts)</i>	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% change	2017	2016	% change
Production revenue	23,471	22,553	4	79,774	61,058	31
Funds flow from operations	4,843	7,571	(36)	21,297	19,118	11
Per basic share	0.10	0.17	(41)	0.44	0.44	-
Per diluted share	0.09	0.17	(47)	0.43	0.43	-
Net income (loss)	(6,059)	18,383	(133)	5,820	3,279	77
Per basic share	(0.12)	0.42	(128)	0.12	0.08	49
Per diluted share	(0.12)	0.41	(129)	0.12	0.07	69
Capital expenditures, net	9,408	(10,886)	(186)	54,300	(2,746)	2,077
Net debt	103,385	85,048	22	103,385	85,048	22
 <i>Share Capital (000's)</i>						
Basic, weighted average	50,863	43,615	17	48,813	43,615	12
Basic, end of period	49,644	43,615	14	49,644	43,615	14
Fully diluted	55,985	48,959	14	55,985	48,959	14
 <i>Daily Production</i>						
Natural gas volumes (mcf/d)	33,496	22,476	49	31,760	23,988	32
Crude oil (bbl/d)	3,723	4,010	(7)	3,896	4,219	(8)
Natural gas liquids (bbl/d)	782	421	86	585	565	4
Barrels of Oil Equivalent (boe/d)	10,088	8,177	23	9,774	8,781	11
 <i>Average Realized Prices (including hedging)</i>						
Natural gas (\$/mcf)	1.99	2.29	(13)	2.43	1.76	38
Crude Oil (\$/bbl)	51.28	48.05	7	51.34	44.53	15
Natural gas liquids (\$/bbl)	28.71	25.20	14	31.07	22.17	40
Barrels of oil equivalent (\$/boe)	27.76	31.17	(11)	30.20	27.61	9
 <i>Netbacks (\$/boe)</i>						
Realized prices	27.76	31.17	(11)	30.21	27.62	9
Royalties	(3.31)	(4.07)	(19)	(3.65)	(2.76)	32
Operating expenses	(14.54)	(11.50)	26	(13.74)	(11.44)	20
Transportation expenses	(0.41)	(0.33)	24	(0.47)	(0.39)	21
Operating netback	9.50	15.27	(38)	12.35	13.03	(5)
 <i>Wells drilled</i>						
Gross	5	1	400	11	2	450
Net	5.0	1.0	400	10.0	2.0	400
Success rate	60%	100%	(40)	80%	100%	(20)

OPERATIONS

Journey achieved production of 10,088 boe/d in the third quarter, a 23% increase from the third quarter of 2016. Liquids (oil and natural gas liquids) production accounted for 4,505 boe/d or 45% of total production during the quarter. Production was lower than the 10,194 boe/d (46% liquids) reported in the second quarter and lower than originally forecasted. The following factors contributed to lower than forecast production levels:

- Downtime in our Crystal field associated with a pipeline release (previously disclosed) but extended due to preventative maintenance associated with Journey's Pipeline Integrity Program ("PIP").
- Downtime in Cherhill associated with both the PIP program and dew point issues associated with Journey's sales gas. Journey anticipates minor issues continuing into the fourth quarter, until the process modifications are completed.
- Roll out of the PIP program to other fields resulting in downtime to test integrity of all key pipelines, and to perform key repairs prior to returning lines to service.
- Extended turnarounds in two recently acquired facilities.
- Capital project phasing.
- Shut in production associated with wells processed through third party facilities due to low gas pricing. Shut in production continued through October. Journey has switched the majority of our gas production from daily index to monthly index effective November 1, 2017 and has subsequently brought all shut-in volumes back on-production.

Journey achieved production of approximately 10,500 boe/d in October. With the restart of shut-in production (November 1); the start-up of a new compression project in Gilby (mid October); the completion of 2017 turnarounds and PIP projects; a pipeline replacement in Niton (early November); and ongoing additions from Journey's capital program, production has now returned to forecasted levels of 10,800 boe/d and is currently forecast to remain at or above this level until the end of 2017.

Journey's operating expenses for the third quarter were \$13.5 million or \$14.54/boe. These expenditures were significantly higher than originally budgeted for. Journey management had forecasted operating expenses of \$12/boe under normal operating conditions, and forecasts a return to these levels for 2018. Operating costs were significantly impacted by a number of extraordinary unbudgeted costs including:

1. PIP program (\$0.8 million additional operating expense in the third quarter)

In response to pipeline integrity issues arising from pipeline spills in the Crystal field, Journey management determined it best to increase scrutiny and test the integrity of many lines deemed high risk. Journey has an extensive gathering network consisting of over 1,900 kilometers of gathering, processing and sales lines. Pipelines are identified as high risk if they cross water bodies, cross major roads, have significant segments located in low lying areas or carry significant daily volumes of well effluents. In this quarter Journey conducted 47 pipeline inspections on high risk lines consisting of 11 "Smart" pig runs, 13 pressure tests, and 23 camera runs. Out of the 47 tests, 45 lines were deemed acceptable and 2 were considered unacceptable. Both unacceptable lines were removed from service. As a precautionary measure, Journey upgraded 11 lines that showed moderate wear by installing 8 new composite liners inside of the existing steel lines and replacing 3 existing liners. In addition Journey removed 114 lines from service. All lines removed from service were de-pressured, pigged clean and suspended. Journey considers its existing network of facilities, and gathering infrastructure to be a key asset and these efforts, while costly, provide comfort in the integrity of the infrastructure moving forward.

2. Turnarounds (\$0.6 million in additional operating expenses in the third quarter)

A budgeted turnaround was conducted on a battery that was acquired in 2016 in the Brooks area. However, during the scheduled work, significant operational issues were encountered which needed to be addressed. These issues included a new crank shaft on the main compressor; a new crank shaft on the injection pump; redoing the internal coating on a treater; and the replacement of the dehydration skid. In addition to the work on the Brooks facility, a previously unbudgeted turnaround was conducted at our Niton facility, which was acquired in April. A significant compressor overhaul was carried out along with other minor issues being addressed. In 2017 Journey conducted turnarounds on all of its major facilities, at a cost of \$1.7 million. These costs are forecast to return to historical levels of approximately \$1.0 million in 2018.

CAPITAL SPENDING

During the third quarter Journey continued to implement its budgeted capital program resulting in new production volumes being added in Crystal, Gilby, Niton, and Berrymoor. Journey has drilled a third horizontal well in Crystal which will be completed in early November and is currently drilling one well in Herronton. The initiation of a 4 well drilling program in program in Skiff is being deferred until January 2017. However, two horizontal injector conversions in Skiff were completed during the third quarter. Injector conversions are also budgeted for the Westeros field prior to the end of the year. Journey continues to combine secondary recovery projects with development drilling allowing it to maintain top quartile corporate decline rates.

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Production volumes grew by 23% in the third quarter of 2017 as compared to the same quarter in 2016. The significant acquisition at the end of April was the main driver behind the increase in volumes as the third quarter was the first full quarter of operations which were included in Journey's results. The volumes associated with the acquisition contributed approximately 2,000 boe/d (72% natural gas) during the quarter. The average commodity price received in the third quarter of \$25.29 per boe (before hedging) was 16% lower than what was realized in the third quarter of 2016 and 21% lower than the \$31.92/boe realized in the second quarter of 2017. Commodity prices deteriorated in the third quarter, and in particular for natural gas, which decreased 51% from the second quarter. In addition, Journey experienced higher operating costs in the third quarter that were attributed to one-time costs for the aforementioned preventative maintenance and turnarounds. As a result of the low commodity prices and higher than expected operating expenses, funds flow was \$4.8 million for the third quarter, which was 50% lower than the \$9.7 million realized in the second quarter of 2017. Helping to mitigate the decline in funds flow during the quarter was a \$2.3 million positive contribution from hedging gains. Cash expenses (excluding operating expense) which include: royalties, transportation, interest and general and administrative costs were very stable quarter over quarter. On an aggregate basis these cash costs decreased by 2.6% from the second quarter.

Primarily as a result of the challenging commodity price environment experienced in the third quarter, Journey realized a \$6.1 million loss as compared to \$18.4 million in net income in the same quarter of 2016 and \$8.0 million of net income in the second quarter of this year. The loss per share for the third quarter was \$0.12 (basic and diluted) bringing the year to date income per share to \$0.12, basic and diluted.

Funds flow per share was \$0.10 per basic share and \$0.09 per diluted share. For the nine months ended September 30, 2017 the funds flow of \$21.3 million yielded per share amounts of \$0.44 and \$0.43 respectively.

Journey's production mix shifted towards more of a natural gas weighting after the acquisition with natural gas becoming the predominant commodity at 55% of total volumes. However, as a percentage of revenue, the mix still favors liquids (oil and NGL's) as they comprised 82% of Journey's total revenues in the third quarter. Comparatively, liquids revenues were 79% in the third quarter of 2016.

As planned, Journey increased its exploration and development spending to \$9.7 million for the third quarter from \$2.9 million during the same quarter in 2016. Third quarter spending was primarily focused on the drilling of 5 (5.0 net) wells but also included several facility and exploitation expenditures.

Journey exited the quarter with net debt of \$103 million which was 19% higher than at the end of 2016 and 7% higher than at the end of the second quarter. Net debt was comprised of \$63 million of bank borrowings; \$30 million of term debt; and \$10 million of a working capital deficit. The increase in net debt during the quarter was the result of Journey's capital spending being approximately \$5 million more than its funds flow, but also included an additional \$2.2 million spent on Journey's normal course issuer bid on September 27. On this day, Journey purchased 1.3 million shares at a price of \$1.70 per share.

Journey concluded a private placement for 1.02 million CDE flow through common shares on October 11 for gross proceeds of \$2.2 million. The proceeds from this private placement will be used to partially fund the Company's fourth quarter developmental drilling program.

The Company has concluded its mid-year review of its \$125 million, syndicated credit facility. As a result of this review there are no changes being made to the existing facility. The next scheduled review is due to conclude by the end of April, 2018. Journey believes it currently has ample liquidity to execute its remaining drilling program for 2017 and into 2018 while continuing to pursue accretive acquisition opportunities as they arise.

Outlook

Journey is currently projecting to have average production of approximately 10,000 boe/d for 2017. As of today's date Journey's production has now returned to 10,800 boe/d. Journey forecasts production levels to remain between 10,700 and 10,900 boe/d until the end of 2017. Capital spending will be balanced with forecasted funds flow for the fourth quarter. Journey currently forecasts year-end net debt to be approximately \$101 million.

The exceptionally low natural gas prices in the third quarter, which continued into October, have caused Journey to reduce its realized price outlook for 2017. This has resulted in a change to annual projected funds flow to now be in the range of \$30-32 million, with \$10-12 million projected for the fourth quarter.

Journey's updated guidance is presented in the table below:

Annual average production	Approx. 10,000 boe/d (46% liquids)
Exit 2017 production	10,700 – 10,900 boe/d (45% liquids)
Exploration and development capital	\$35 million
Net acquisition capital	\$33 million
Funds flow	\$30 - \$32 million
Year-end net debt	\$101 - \$103 million
Funds flow per basic share (weighted average shares)	\$0.61 – \$0.65
Corporate annual decline rate	17%

Journey's 2017 forecasted funds flow from operations is based upon the following revised, pre-hedging, average prices: WTI of USD \$50/bbl; AECO gas of CAD\$2.38/mcf; and a foreign exchange rate of \$0.77 US\$/CDN.

Journey's preliminary guidance for 2018 is presented in the table below:

Annual average production	10,500 – 10,900 boe/d (47% liquids)
Wells drilled	14 (13.9 net)
Exploration and development capital	\$40 million
Funds flow	\$45-50 million
Year-end net debt	\$92-98 million
Funds flow per basic share (weighted average shares)	\$0.88 - \$0.98
Corporate annual decline rate	16%

Journey's 2018 forecasted funds flow from operations is based upon the following pre-hedging, average prices: WTI of USD \$54/bbl; AECO gas of CAD\$2.25/mcf; and a foreign exchange rate of \$0.78 US\$/CDN\$.

Hedging Update

Journey currently has 69% of its oil and 58% of its natural gas volumes hedged for the fourth quarter of 2017. For 2018 Journey has approximately 47% of its currently forecast volumes hedged while 17% of its natural gas volumes are hedged.

Oil Hedging		
Period	Bbls/d	Average Floor Price CDN \$ per bbl
Q4 2017	2,837	\$65.19
Q1 2018	3,500	\$68.64
Q2 2018	1,500	\$69.50
Q3 2018	1,500	\$69.50
Q4 2018	1,500	\$69.50

Natural Gas Hedging		
Period	GJ's/d	Average Floor Price CDN \$ per GJ
Q4 2017	21,685	\$2.90
Q1 2018	13,500	\$2.91
Q2 2018	3,500	\$2.48
Q3 2018	3,500	\$2.47
Q4 2018	3,500	\$2.63

On behalf of Journey's management team and directors we would like to thank our shareholders for their continued support. Journey's balanced approach to growth which uses a combination of acquisitions as well as drilling provides a sustainable growth platform while expanding its inventory of opportunities.

About the Company

Journey is a Canadian exploration and production company focused on conventional, oil-weighted operations in western Canada. Journey's strategy is to grow its production base by drilling on its existing core lands, implementing water flood projects, executing on accretive acquisitions. Journey seeks to optimize its legacy oil pools on existing lands through the application of best practices in horizontal drilling and, where feasible, with water floods.

For further information contact:

Alex G. Verge
President and Chief Executive Officer
403.303.3232
alex.verge@journeyenergy.ca

Gerry Gilewicz
Chief Financial Officer
403.303.3238
gerry.gilewicz@journeyenergy.ca

ADVISORIES

Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, which involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Journey, including, without limitation, those listed under "Risk Factors" and "Forward Looking Statements" in the Annual Information Form filed on www.SEDAR.com on March 31, 2017. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the business strategy and plans and objectives. Particularly, forward-looking information in this press release includes, but is not limited to, information concerning Journey's drilling and other operational plans, production rates, dividend policy, long-term objectives and the declaration and payment of dividends. Journey cautions investors in Journey's securities about important factors that could cause Journey's actual results to differ materially from those projected in any forward-looking statements included in this press release. Information in this press release about Journey's prospective funds flows and financial position is based on assumptions about future events, including economic conditions and courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that information regarding Journey's financial outlook should not be used for purposes other than those disclosed herein. Forward-looking information contained in this press release is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. No assurance can be given that the expectations set out in the Prospectus or herein will prove to be correct and accordingly, you should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time except as required by applicable securities law.

Readers are cautioned that the above list of risks and factors are not intended to be exhaustive. Additional information on these and other factors that could affect our operating and financial results are, or will be,

included in reports filed with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Non-IFRS Measures

The company uses the following non-IFRS measures in evaluating corporate performance. These terms do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures by other companies.

- (1) The Company considers funds flow from operations (also referred to as “funds flow”) a key performance measure as it demonstrates the Company’s ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds flow from operations is calculated as funds from operating activities before changes in non-funds working capital, transaction costs and decommissioning costs incurred. Funds flow from operations per share is calculated as funds flow from operations divided by the weighted-average number of shares outstanding in the period. Journey’s determination of funds flow from operations may not be comparable to that reported by other companies. Journey also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings per share, which per share amount is calculated under IFRS and is more fully described in the notes to the financial statements.
- (2) Net debt is a non-IFRS measure and represents current assets less current liabilities and bank debt (but excludes the future liability (or asset) related to the mark-to-market measurement of derivative contracts as well as decommissioning liabilities).
- (3) Operating netback is a non-IFRS measure and equals total revenue less royalties, transportation and field operating costs calculated on a per boe basis. Funds flow netback equals the operating netback less funds finance costs, general and administrative costs, realized gains and losses on derivative contracts, plus any interest income.

Barrel of Oil Equivalents

Where amounts are expressed in a barrel of oil equivalent (“boe”), or barrel of oil equivalent per day (“boe/d”), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet (“Mcf”) to one (1) barrel. Use of the term boe may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel (“Bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Oil and Gas Measures and Metrics

The Company uses the following metrics in assessing its performance and comparing itself to other companies in the oil and gas industry. These terms do not have a standardized meaning and therefore may not be comparable with the calculation of similar measures by other companies:

- 1) Corporate Decline is the rate at which production from a grouping of assets falls from the beginning of a fiscal year to the end of that year.
- 2) IP 365 is the average daily production rate of a well expressed in boe’s.

Abbreviations

<i>bbl</i>	<i>barrel</i>
<i>bbls</i>	<i>barrels</i>
<i>boe</i>	<i>Barrel of oil equivalent</i>
<i>boe/d</i>	<i>Barrel of oil equivalent per day</i>
<i>mbbls</i>	<i>Thousand barrels</i>
<i>mmbtu</i>	<i>Million British thermal units</i>
<i>mcf</i>	<i>thousand cubic feet</i>
<i>mmcf</i>	<i>Million cubic feet</i>
<i>mmcf/d</i>	<i>Million cubic feet per day</i>
<i>mboe</i>	<i>Thousand boe</i>
<i>NGLs</i>	<i>Natural gas liquids</i>
<i>\$M</i>	<i>Thousands of dollars</i>

No securities regulatory authority has either approved or disapproved of the contents of this press release.