



## **JOURNEY ENERGY INC. REPORTS ITS THIRD QUARTER 2018 FINANCIAL AND OPERATING RESULTS**

CALGARY, November 5, 2018 /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, 2018. The complete set of financial statements and management discussion and analysis for the periods ended September 30, 2018 and 2017 are posted on [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.journeyenergy.ca](http://www.journeyenergy.ca).

### **THIRD QUARTER 2018 HIGHLIGHTS**

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

- Achieved production of 10,227 boe/d in the third quarter, compared to 10,088 boe/d in the third quarter of 2017. Liquids (oil and natural gas liquids) production accounted for 4,883 boe/d or 48% of total production during the quarter.
- Generated \$7.9 million of funds flow in the third quarter as compared to \$4.8 million in the third quarter of 2017. Funds flow for the third quarter is inclusive of \$4.9 million in realized losses from derivative contracts.
- Received a corporate average commodity price of \$36.17/boe (before hedging) in the third quarter, a 43% increase over the third quarter of 2017. Liquids production accounted for 86% of total sales revenues in the recent quarter.
- Drilled 3 (3.0 net) successful wells in Skiff. All wells are now producing above type curve expectations.
- Journey entered into a joint venture arrangement with a new strategic partner, Kiwetinohk Resources Corp. (“Kiwetinohk”), an Alberta based private oil and gas company to jointly develop the Company’s East Duvernay resource play. Kiwetinohk is led by Pat Carlson and a team that is highly regarded for their expertise and their ability to execute projects of this nature.
- Journey and Kiwetinohk have recently added approximately 40 sections of Duvernay lands, increasing our East Duvernay resource base to approximately 140 gross sections of contiguous lands.
- On September 29, 2018 operations under the Kiwetinohk joint venture were initiated. The first Commitment well has been drilled and cased to a measured depth of 6,500 meters while operations on the second commitment well from the same surface location were initiated on October 28. Completion operations on both wells will commence after the second Commitment well is drilled and cased.

### Third Quarter Financial & Operating Highlights

<i>Financial (\$000's except per share amounts)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% change	2018	2017	% change
Production revenue	<b>34,032</b>	23,471	45	<b>94,651</b>	79,774	19
Funds flow	<b>7,890</b>	4,843	63	<b>18,335</b>	21,297	(14)
Per basic share	<b>0.20</b>	0.10	100	<b>0.46</b>	0.44	5
Per diluted share	<b>0.20</b>	0.09	122	<b>0.46</b>	0.43	7
Net income (loss)	<b>201</b>	(6,059)	103	<b>(21,267)</b>	5,820	(465)
Per basic share	<b>0.01</b>	(0.12)	104	<b>(0.53)</b>	0.12	(542)
Per diluted share	<b>0.01</b>	(0.12)	104	<b>(0.53)</b>	0.12	(542)
Capital expenditures, net	<b>9,647</b>	9,408	3	<b>25,519</b>	54,300	(53)
Net debt	<b>132,851</b>	103,385	29	<b>132,851</b>	103,385	29
 <i>Share Capital (000's)</i>						
Basic, weighted average	<b>38,546</b>	50,863	(24)	<b>40,080</b>	48,813	(18)
Basic, end of period	<b>38,546</b>	49,644	(22)	<b>38,546</b>	49,644	(22)
Fully diluted	<b>42,728</b>	55,985	(24)	<b>42,728</b>	55,985	(24)
 <i>Daily Production</i>						
Natural gas volumes (mcf/d)	<b>32,070</b>	33,496	(4)	<b>32,112</b>	31,760	1
Crude oil (bbl/d)	<b>4,357</b>	3,723	17	<b>4,099</b>	3,896	5
Natural gas liquids (bbl/d)	<b>525</b>	782	(33)	<b>676</b>	585	16
Barrels of Oil Equivalent (boe/d)	<b>10,227</b>	10,088	1	<b>10,127</b>	9,774	4
 <i>Average Realized Prices (including hedging)</i>						
Natural gas (\$/mcf)	<b>1.76</b>	1.99	(12)	<b>1.79</b>	2.43	(26)
Crude Oil (\$/bbl)	<b>54.97</b>	51.28	7	<b>53.66</b>	51.34	5
Natural gas liquids (\$/bbl)	<b>39.41</b>	28.71	37	<b>42.96</b>	31.07	38
Barrels of oil equivalent (\$/boe)	<b>30.96</b>	27.76	12	<b>30.26</b>	30.20	-
 <i>Netbacks (\$/boe)</i>						
Realized prices (incl. hedging)	<b>30.96</b>	27.76	12	<b>30.26</b>	30.20	-
Royalties	<b>(4.87)</b>	(3.31)	47	<b>(4.59)</b>	(3.65)	26
Operating expenses	<b>(12.75)</b>	(14.55)	(12)	<b>(13.65)</b>	(13.74)	(1)
Transportation expenses	<b>(0.50)</b>	(0.41)	22	<b>(0.49)</b>	(0.47)	4
Operating netback	<b>12.84</b>	9.49	35	<b>11.53</b>	12.34	(7)
 <i>Wells drilled</i>						
Gross	<b>3</b>	5	(40)	<b>9</b>	11	(18)
Net	<b>3.0</b>	5.0	(40)	<b>9.0</b>	10.0	(10)
Success rate	<b>100</b>	60%	67	<b>100</b>	80%	25

## OPERATIONS

Journey achieved production of 10,277 boe/d (48% liquids) in the third quarter of 2018, representing a slight increase from the 10,036 Boe/d (47% liquids) recorded in the second quarter of 2018. Increasing liquids production in the third quarter resulted from the successful execution of Journey's 2018 capital program.

Journey recorded reduced operating expenses in the third quarter as forecasted, due to reduced expenditures for one-time items and reduced turn-around costs. Journey currently forecasts operating expenses of \$13 per boe for the remainder of 2018.

During the third quarter, Journey drilled three horizontal wells in its Skiff core area. All three wells are currently on production at rates exceeding type curve expectations. The success of this program bodes well for additional drilling and expansion of the waterflood to the southern portion of the Skiff pool in 2019.

Journey has also been extremely active in advancing the development of its emerging Duvernay resource play. On August 29, 2018, Journey entered into a joint venture arrangement with a new strategic partner, Kiwetinohk Resources Corporation ("Kiwetinohk"), an Alberta based private oil and gas company. Kiwetinohk is led by Pat Carlson. Mr. Carlson, and a number of his team members have been instrumental in the development of several large scale resource plays in the past. The team is highly regarded for their expertise and their ability to execute projects of this nature.

The joint venture arrangement contemplates a two well "Commitment" phase and a five well "Option" phase. Kiwetinohk and Journey will work together in formulating the most effective drilling program to delineate the most prospective sections, mitigate land expiries and test potential development concepts. Highlights of each phase are as follows:

- For the two well Commitment phase, Kiwetinohk will pay 100% of the capital costs, and have a 100% working interest, before payout of 58.33% of its costs to drill, complete, equip and tie in. Journey will be entitled to a 3.75% gross over-riding royalty on the production from the wells prior to payout. After payout, and conversion of the royalty, Kiwetinohk will have a 70.83% working interest in the commitment wellbores while Journey will have a 29.17% working interest. After the earning phase, the working interests in the Commitment blocks, outside of the two commitment wells, will be Kiwetinohk 62.5% and Journey 37.5%. Kiwetinohk will be the operator of all of the lands earned.
- For the five well Option phase, Kiwetinohk will pay 100% of the capital costs, and have a 100% working interest, before payout of 33.33% of its costs to drill, complete, equip and tie in. Journey will receive no royalty prior to payout. After payout, Kiwetinohk will have 70.83% working interest in the option wellbores while Journey will have a 29.17% working interest. After earning, the final working interests in the applicable earned Option block, outside of the five option wells, will be Kiwetinohk 62.5% and Journey 37.5%. Kiwetinohk will be the operator of all of the lands earned.

Also, during the third quarter, Journey and Kiwetinohk were successful in adding approximately 40 gross sections of Duvernay lands, thereby increasing our resource base to approximately 140 gross sections of contiguous lands.

On September 29, 2018, operations under the joint venture were initiated with the first well being spud on October 1, 2018. The first Commitment well has been drilled and cased to a measured depth of 6,500 meters. The 3,600 meter horizontal section represents one of the longest horizontal sections drilled in the East Duvernay shale basin to date. Operations on a second well were initiated, from the same surface location, on October 28 with a spud date of October 29, 2018. Completion operations on both wells will commence after the second Commitment well is drilled and cased.

Journey looks forward to updating our shareholders on the completion results and future activities in the East Duvernay as further information becomes available.

## FINANCIAL

Daily sales volumes increased 1% in the third quarter of 2018 to 10,277 boe/d from 10,088 in the same quarter of 2017. Three oil wells were placed on-production during the third quarter and the production from these wells offset natural declines. Journey's production mix in the third quarter continued to improve with liquids (oil and NGL) volumes now comprising 48% of total volumes as compared to 45% in the same quarter of 2017.

Corporate realized commodity prices, before the impact of the hedging program, were 43% higher in the third quarter of 2018 with both oil and NGL's increasing by 37%, and natural gas increasing by 22%. Liquids revenues comprised 86% of total third quarter revenues for Journey while for the same period in 2017 they were 82%. While AECO natural gas prices continued to be depressed, Journey made significant gains in realized prices by diversifying its revenue stream away from Alberta sales points. Realized natural gas prices were 26% higher than the AECO basis with Journey averaging \$1.61/mcf during the quarter. This realized price also represented a 22% increase in realized natural gas prices from the third quarter of 2017.

The commodity derivative losses for the third quarter continued to have a significant impact on both funds flow and ultimately net earnings. During the quarter, the realized loss on derivatives was \$4.9 million while the unrealized gain was \$2.3 million. The largest component of the realized losses was related to oil hedging. WTI oil prices continued to increase from the second quarter, causing the hedges to go increasingly out-of-the-money. The impact from hedging on Journey's netbacks in the third quarter was significant as the realized loss amounted to \$5.21 per boe. This loss was partially mitigated by the mark-to-market gain on the hedges that were still running of \$2.46 per boe. Although the impact of hedging is significant on Journey's 2018 funds flow projections, Journey's low corporate decline, and the temporary nature of the remaining hedges allow the Company to get through this difficult time and enter 2019 with a fairly minimal level of hedging.

Funds flow for the third quarter was \$7.9 million as compared to \$4.8 million in the third quarter of 2017. The largest contributors to the increase in funds flow were: higher realized average prices by 43%; increased production volumes of 1%; and a 12% decrease in operating expenses. On a per share basis, funds flow was \$0.20 per basic and diluted share for the third quarter, which brings the year to date funds flow to \$0.46 per basic and diluted share. Journey recorded net earnings of \$201 thousand in the third quarter as compared to a loss of \$6.1 million in the same quarter of 2017. Net earnings per basic and weighted average share in the third quarter was \$0.01 bringing the year to date loss to \$0.53 per basic and diluted share.

Journey spent \$10.0 million on its exploration and development program during the third quarter. The expenditures included the acquisition of undeveloped lands in existing core areas; drilling, completing and tying-in 3.0 net wells in Skiff; and ongoing exploitation projects. The Company also divested a small, non-core, and non-producing property for total proceeds of \$342 thousand.

Journey exited the third quarter with net debt of \$132.9 million which was 29% higher than at December 31, 2017 and 2% higher than the \$130.6 million at the end of the second quarter. The increase in net debt from December 31 was primarily attributable to the increase in leverage due to the share repurchase on February 2. Journey is committed to reducing its leverage over the next two years with a combination of reduced capital spending and non-core asset dispositions. Based on Journey's forecasted capital spending, dispositions already executed and expected funds flow, Management is currently projecting 2018 year-end net debt to be in the range of \$129-\$131 million. The Company was drawn \$74 million on its \$100 million credit facility at the end of the third quarter and is currently drawn approximately \$70 million.

## Outlook

Although Journey's forecast production volumes remain unchanged for 2018, the Company has adjusted its oil and natural gas prices as well as its oil price differential outlook and operating costs for 2018. In addition, it has also adjusted funds flow for the effects of the new price forecasts on its existing hedges. Journey's 2018 annual guidance is presented in the table below:

Annual average production	10,000 – 10,200 Boe/d (48% liquids)
Exploration and development capital	\$34 million
Net acquisition (disposition) capital	\$(5) million
Funds flow	\$22-24 million
Net hedging losses	\$15-\$17 million
Year-end net debt	\$129 - \$131 million
Funds flow per basic weighted average share	\$0.55 – \$0.60 share
Corporate annual decline rate	16%

Journey's 2018 forecasted funds flow is based upon the following annual, average prices: WTI of US\$67/bbl; Company differentials of \$9.50/bbl USD for oil from Edmonton light sweet prices; realized natural gas price of CDN\$1.65/mcf; and a foreign exchange rate of \$0.78 US\$/CDN\$.

For 2019, Journey has elected to take a conservative approach to capital spending. The recent widening of differentials, specifically for Canadian oil, has created significant uncertainty over near term pricing and funds flow. In order to maximize returns on capital expenditures and preserve the value of our opportunities, Journey will monitor the phasing of our capital program to coincide with the narrowing of differentials from the current historically wide levels. One of Journey's key drivers for 2019 will be to insure debt levels remain at or below 2018 exit levels.

Throughout the last four years Journey management has carefully navigated through periods of poorer than anticipated funds flow and we pride ourselves in patiently stewarding capital to the right opportunities at the right time to create value for our stakeholders over the longer term. On behalf of Journey's management team and directors we would like to thank our shareholders for their continued support through this challenging time. There are few companies within our peer group that share the same upside leverage to rising commodity prices that Journey does, and we remain steadfast in our goal to provide shareholders with superior returns over the longer term.

## 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.

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## **ADVISORIES**

*This press release contains forward-looking statements and forward-looking information (collectively "forward looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of our anticipated future operations, management focus, strategies, financial, operating and production results, industry conditions, commodity prices and business opportunities. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding decline rates, anticipated netbacks, drilling inventory, estimated average drill, complete and equip and tie-in costs, anticipated potential of the Assets including, but not limited to, EOR performance and opportunities, capacity of infrastructure, potential reduction in operating costs, production guidance, total payout ratio, capital program and allocation thereof, future production, decline rates, funds flow, net debt, net debt to funds flow, exchange rates, reserve life, development and drilling plans, well economics, future cost reductions, potential growth, and the source of funding our capital spending. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future.*

*The forward-looking information is based on certain key expectations and assumptions made by our management, including expectations and assumptions concerning prevailing commodity prices and differentials, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; the ability to efficiently integrate assets and employees acquired through acquisitions, including the Acquisition, the ability to market oil and natural gas successfully and our ability to access capital. Although we believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Journey can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with*

*a more complete perspective on our future operations and such information may not be appropriate for other purposes.*

*Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). These forward looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.*

*This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Journey's prospective results of operations, funds flow, netbacks, debt, payout ratio well economics and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about Journey's anticipated future business operations. Journey disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. 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](http://www.SEDAR.com) on March 23, 2018. 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, and long-term objectives. 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.*

### **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” as 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 is calculated by taking cash from operating activities as reported in the Company’s financial statements and adding or deducting the following items: changes in non-cash working capital; transaction costs and decommissioning costs. Journey’s determination of funds flow may not be comparable to that reported by other companies. Journey also presents Funds Flow per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net income 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, bank debt and the promissory notes outstanding. For purposes of Journey’s net calculation, the impact of the potential future liability (or asset) related to the mark-to-market measurement of derivative contracts as well as the provision for decommissioning liabilities have been excluded from the calculation.*
- (3) *Operating netback is a non-IFRS measure, is calculated on a per boe basis and equals total revenue (excluding hedging gains and losses); minus the aggregate of: royalties, transportation and field operating costs. Journey considers operating netback as an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices.*

### **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 in its first 365 days of production expressed in boe’s.*

### **Abbreviations**

<i>bbl</i>	<i>barrel</i>
<i>bbls</i>	<i>barrels</i>
<i>bbl/d</i>	<i>barrels of oil or NGL per day</i>
<i>boe</i>	<i>barrels of oil equivalent</i>
<i>boe/d</i>	<i>barrels of oil equivalent per day</i>
<i>gj</i>	<i>gigajoules</i>
<i>Mbbls</i>	<i>Thousand barrels</i>
<i>MMBtu</i>	<i>Million British thermal units</i>
<i>NGL</i>	<i>Natural gas liquids</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>\$M</i>	<i>Thousands of dollars</i>
<i>OOIP</i>	<i>Original oil in place</i>

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