



## **JOURNEY ENERGY INC. REPORTS \$92.2 MILLION OF NET INCOME AND \$12 MILLION OF ADJUSTED FUNDS FLOW IN ITS THIRD QUARTER 2021 FINANCIAL AND OPERATING RESULTS**

CALGARY, November 9, 2021 /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, 2021. The complete set of financial statements and management discussion and analysis for the periods ended September 30, 2021 and 2020 are posted on [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.journeyenergy.ca](http://www.journeyenergy.ca).

Highlights for the third quarter and year to date for 2021 are as follows:

- Generated \$92.2 million of net income in the third quarter or \$2.02 per basic, weighted average share (\$1.79 per diluted share). \$85.0 million of the net earnings in the quarter relate to a recovery of prior period impairments on oil and gas assets, the value of which has appreciated significantly during 2021.
- Realized third quarter Adjusted Funds Flow of \$12.0 million or \$0.26 per weighted average basic share (\$0.23 per diluted share).
- Achieved sales volumes of 8,164 boe/d in the third quarter. Liquids (crude oil and natural gas liquids) accounted for 3,848 Boe/d or 47% of total production during the quarter.
- Reduced net debt by 47% to \$67.7 million from \$126.6 million at the end of the third quarter of 2020.
- Continued work on decommissioning non-producing sites. To date Journey has been allocated \$3.8 million under the Site Rehabilitation Program and has expended \$2.4 million of this allocation. In addition, the Company has spent \$1.8 million of its own funds in addition to the SRP allocations.
- Generated 6,920 MW of electricity in the third quarter at an average price of \$113.31/MW.
- On August 18, 2021, Journey closed the previously announced corporate acquisition. The company produces approximately 600 boe/d (70% natural gas) primarily in the Nordegg and Grande Cache areas of Alberta. The acquisition price was paid via the issuance of 3.5 million Journey shares plus \$2.9 million of cash.
- Repaid \$10.0 million of AIMCo term debt during the third quarter and another \$4.25 million on October 28 bringing the total repaid in 2021 to \$25.0 million. Journey has now fulfilled all of its 2021 repayment commitments to AIMCo.

### Third Quarter Financial & Operating Highlights

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% change	2021	2020	% change
<b>Financial (\$000's except per share amounts)</b>						
Production revenue	33,083	18,759	76	84,179	48,261	74
Net income (loss)	92,243	(8,037)	(1,248)	93,589	(88,967)	(205)
Basic (\$/share)	2.02	(0.19)	(1,163)	2.10	(2.06)	(202)
Diluted (\$/share)	1.79	(0.19)	(1,042)	1.89	(2.06)	(192)
Adjusted Funds Flow	11,970	4,427	170	29,712	7,435	300
Basic (\$/share)	0.26	0.10	170	0.67	0.17	294
Diluted (\$/share)	0.23	0.10	130	0.60	0.17	253
Cash flow provided by operating activities	11,067	4,685	136	24,720	8,725	183
Basic (\$/share)	0.24	0.11	122	0.55	0.20	175
Diluted (\$/share)	0.22	0.11	95	0.50	0.20	147
Capital expenditures, before A&D	642	1,933	(67)	1,446	6,265	(77)
Net debt	67,857	124,644	(46)	67,857	124,644	(46)
<b>Share Capital (000's)</b>						
Basic, weighted average	45,661	43,087	6	44,552	43,087	3
Basic, outstanding, end of period	47,525	43,087	10	47,525	43,087	10
Fully diluted	56,927	48,116	18	56,927	48,116	18
<b>Daily Sales Volumes</b>						
Natural gas (Mcf/d)						
Conventional	21,073	21,037	-	19,997	21,596	(7)
Coal bed methane	4,825	5,890	(18)	4,973	6,046	(18)
Total natural gas volumes	25,898	26,927	(4)	24,970	27,642	(10)
Crude oil (Bbl/d)						
Light/medium	2,499	2,392	4	2,323	2,502	(7)
Heavy	675	796	(15)	693	706	(2)
Total crude oil volumes	3,174	3,188	-	3,016	3,208	(6)
Natural gas liquids (Bbl/d)	674	635	6	641	666	(4)
Barrels of oil equivalent (boe/d)	8,164	8,311	(2)	7,819	8,481	(8)
<b>Average Realized Prices (excluding hedging)</b>						
Natural gas (\$/mcf)	3.56	2.08	71	3.20	1.73	85
Crude Oil (\$/bbl)	74.02	42.36	75	66.83	36.54	83
Natural gas liquids (\$/bbl)	48.09	20.22	138	41.80	16.49	153
Barrels of oil equivalent (\$/boe)	44.05	24.53	80	39.44	20.77	90
<b>Operating Netback (\$/boe)</b>						
Realized prices (excl. hedging)	44.05	24.53	80	39.44	20.77	90
Royalties	(7.25)	(2.02)	259	(5.51)	(2.11)	161
Operating expenses	(17.08)	(12.42)	38	(16.28)	(12.61)	29
Transportation expenses	(0.53)	(0.38)	39	(0.51)	(0.44)	16
Operating netback	19.19	9.71	98	17.14	5.61	206
Realized hedging gains	-	1.06	(100)	-	3.23	(100)
Adjusted operating netback (incl. hedging)	19.19	10.77	78	17.14	8.84	94

## OPERATIONS

Journey achieved sales volumes of 8,164 boe/d (47% crude oil and NGL's) in the third quarter of 2021. This represents a 6% increase in volumes from the second quarter, and an 8% increase in volumes from the first quarter, despite a minor level of capital spending. This is a testament to Journey's low decline asset base with base declines estimated to be 14%. Year over year production in the third quarter of 2021 fell by 2% from production in Q3, 2020. This is especially meaningful considering the \$59 million reduction in net debt, year over year. Journey's production benefitted from 17 workovers/well reactivations carried out in the third quarter, all of which were classified as operating expenses.

Journey has not drilled or completed any wells in 2020 or 2021, and has no plans to drill any wells for the remainder of the year. Capital expenditures are limited to maintenance capital where deemed necessary. After resolving some minor start up issues typical of a facility of this nature, the power plant in Countess has been running for the past six months with efficiency's peaking at 99% for the month of October. To date in 2021, Journey has seen a dramatic increase in pricing for both natural gas and electricity, and remains well positioned to take full advantage of these increases. So far, Journey's experience has been that the electricity generation project commands better profitability than just selling the associated natural gas, and forecasts realizing positive net revenue of \$2.1-2.5 million in 2021.

As Journey moves through the remainder of 2021, the focus will begin to shift from debt reduction to efficient capital deployment and thereby increasing long-term sustainability. Beginning in early 2022, Journey is looking to deploy capital toward exploration and development activities along with an expansion of its power plant. A key feature of the power project, as originally designed, is the ease in which the project can be expanded to over 6.0 megawatts from the current maximum capacity of 4.0 megawatts, with the addition of one power generation unit. Journey is currently in the planning stages of this expansion, and has begun applying for the necessary approvals.

Journey plans on returning to the field in early 2022 and this should increase both production and the oil weighting to pre-pandemic levels over time. Journey is currently planning an exploration and development program of \$34-38 million for 2022. This program is expected to be funded entirely from Company cash flows. Journey has a development drilling program ready for Skiff, Cherhill, Crystal, Matziwin and Westeros. The horizontal development program in south Skiff follows up the three wells that were drilled there in 2018. During the third quarter of 2019, the central well of the three well pattern was converted to water injection, and the offsetting producers have now responded favorably to this injection. The vast majority of Journey's future capital projects are within existing pools and are not subject to near term expiries. New volumes can be brought on-production with minimal incremental operating costs when drilling resumes. Journey plans on drilling up to 12 (11.7 net) wells with locations evenly distributed between our Northern and Southern core areas.

Journey has been able to take advantage of the previously announced Site Rehabilitation Program whereby Government funds are provided to industry to complete abandonment work. Journey has been allocated approximately \$3.8 million in programs 1-8. These funds have been, and will be utilized to abandon wells, facilities, and to conduct Phase 1 and Phase 2 environmental assessments. Approximately \$2.4 million of this allocation has been expended to date. This program will be ongoing throughout the remainder of 2021 and into 2022. During the third quarter of 2021, Journey initiated a comprehensive re-evaluation of its cost estimates used in determining the overall decommissioning obligations ("DO"). The result was a reduction to the DO by \$23.0 million in the quarter and \$24.0 million for the entire year. The change resulted from evaluating new abandonment techniques. The cost data used in updating the DO was obtained from actual costs related to the significant abandonments undertaken by both Journey and the industry throughout 2020 and 2021. The undiscounted, un-escalated future DO costs at September 30, 2021 were \$172,920 (December 31, 2020 - \$191,909). These DO obligations include assets acquired in the private company acquisition that closed on August 18, 2021.

The Duvernay drilling program has advanced to the point where Journey has significant production history for the three wells drilled by its joint venture partner, Kiwetinohk Resources Corp. (“KRC”). These wells rank in the top tier of all wells drilled to date in the East Shale Duvernay basin. The success to date in this play highlights the significant development potential of the Duvernay land block. The joint venture currently controls approximately 116 gross sections where Journey has an average working interest of 37.5% (43.5 net sections). Since KRC did not fully complete all possible earning during the option phase of the farm-out agreement, which ended in late August 2020, Journey retained its 100% interest in 31 unearned sections. This, plus an additional 6 gross sections Journey previously acquired, results in the Company controlling 80.5 net sections or approximately 53% of the total acreage within the total Duvernay land block. As Journey recovers from the 2020 oil price shock associated with the pandemic, capital available for this project in 2021 is limited, despite this resource having attractive returns in the current pricing environment. As a result, Journey is actively seeking opportunities to monetize this opportunity or find a joint venture partner.

## **FINANCIAL**

Crude oil and natural gas prices continued to strengthen in the third quarter of 2021. Journey’s realized crude oil prices during the third quarter of 2021 averaged \$74.02/bbl, which was 75% higher than the \$42.36/bbl realized in the third quarter of 2020 and 9% higher than the \$68.07/bbl realized in the second quarter of 2021. Natural gas prices continued to show improvement as well as Journey realized \$3.56/mcf in the third quarter of 2021 compared to \$2.08/mcf in the third quarter of 2020. Realized natural gas prices were 18% higher and NGL prices were 25% higher in the third quarter of 2021 compared to the second quarter of 2021. Overall, Journey’s average realized commodity prices were 80% higher during the third quarter of 2021 at \$44.05/boe compared to \$24.53/boe in the same quarter of 2020 and were 12% higher than the average prices realized in the second quarter of 2021 of \$39.23/boe. Since the debt restructuring in October of 2020 Journey has remained unhedged and as a result has taken full advantage of the commodity price appreciation that started around that time.

Sales volumes for Journey’s commodities declined 2% from 8,311 boe/d in the third quarter of 2020 to 8,164 in the third quarter of 2021. The acquisition the Company closed on August 18 of approximately 600 boe/d (70% natural gas) helped to mitigate the natural declines of Journey’s base production. Natural gas volumes accounted for 53% (2020 – 54%) of total boe volumes sold in the third quarter while crude oil production increased to 39% in 2021 from 38% in 2020. On the revenue side, crude oil and NGL’s comprised 74% of total revenues for the third quarter of 2021 while for the same quarter in 2020 they were 72%. The significant strengthening of oil prices during the first three quarters of 2021, as the world continues its recovery from the COVID-19 pandemic, resulted in the shift towards more revenue coming from liquids volumes.

Aggregate field operating expenses increased in the third quarter as the acquisition, workovers, power prices, and plant turnarounds contributed to higher aggregate costs, both compared to last year as well as to the second quarter of this year. The increase in turnaround costs was a direct result of Journey’s financial difficulties in 2020, which resulted in minimal capital investment and a deferral of normally scheduled maintenance work to 2021. Workover costs are associated with restoring production on wells, some of which had been left down in 2020 due to economics. Journey participated in seventeen workovers and eleven turnarounds during the third quarter of 2021. \$1.4 million of workover and turnaround costs were incurred in the third quarter of 2021 as compared to \$0.6 million in the same quarter of 2020. As a result, Journey averaged \$17.08/boe for operating expenses in the third quarter of 2021 as compared to \$12.42/boe in the same quarter of 2020. The Company has a number of additional projects currently ongoing in the fourth quarter that will help mitigate declines. Journey forecasts operating expenses to decline to between \$16 and \$17/boe for the fourth quarter as spending on workovers and turnarounds subsides.

In the head office, the G&A cost reduction initiatives initiated in the second and third quarters of 2020 continued to benefit the 2021 results and will continue to do so well into the future. During 2020, Journey reduced compensation levels to its staff by approximately 10% on top of the already reduced workweek

implemented in 2019; the Company laid off approximately one-quarter of its workforce; obtained a new head office lease under favourable terms; and continued to apply for benefits under the Canadian Emergency Wage Subsidy program. On a per boe basis, Journey's G&A costs were \$1.28 for the third quarter of 2021 as compared to \$1.54/boe in the same quarter of 2020.

Finance expenses related to borrowings decreased by 27% to \$1.9 million in the third quarter of 2021 from \$2.6 million in the same quarter of 2020. Average, interest-bearing debt decreased by 34% in the third quarter of 2021 compared to 2020 mainly due to the settlement of Journey's bank debt for less than its face value on October 30, 2020 as well as the repayment of \$20.75 million of the AIMCo term debt in the first nine months of this year. While the effective interest rate is higher due to term debt replacing the bank debt, the lower principal amount of Journey's borrowings created aggregate interest savings for the Company.

Journey realized net income of \$92.2 million in the third quarter of 2021. Aside from the higher commodity prices realized in the third quarter, Journey reported an \$85.0 million impairment recovery with respect to its property, plant and equipment. For the year to date, the Company had net income of \$93.6 million as the continued appreciation in commodity prices translated into a remarkable turnaround from the \$89.0 million loss in the first nine months of 2020. Adjusted Funds Flow in the third quarter were 170% higher in 2021, wherein the Company generated \$12.0 million as compared to \$4.4 million in the same quarter of 2020. For the nine months year to date in 2021 Adjusted Funds Flow was \$29.7 million as compared to \$7.4 million in 2020. Cash flow from operations was \$11.3 million in the third quarter of 2021 and \$24.9 million for the year to date as compared to \$4.7 million in the third quarter and \$8.7 million for the year to date in 2020.

Focusing on its term-debt repayments was the theme for 2021 and as a result minimized its capital spending to the corporate acquisition in August and necessary facility work in the field. Repairing the balance sheet from the very weak prices suffered in 2020 was given top priority. At the beginning of the year, Journey was committed to repaying \$25.0 of term debt during 2021. \$15 million of the repayment was to have come from its Countess asset sale, which did not close as expected due to the purchaser's default. Despite this obstacle, Journey benefitted from higher commodity prices, strong results from well reactivations and workovers, and the acquisition in August (60% funded through equity) to generate strong cash flows. As a result, the Company repaid \$20.75 million of the \$25.0 million in 2021 repayment commitments before September 30, and then repaid the balance of the years' commitment of \$4.25 million on October 28. Journey exited the third quarter of 2021 with net debt of \$67.9 million, which was 46% lower than the \$124.6 million at the end of the third quarter of 2020. Journey is now projecting net debt of \$53-54 million by the end of 2021 or 1.2 times projected training Adjusted Funds Flow.

## OUTLOOK GUIDANCE

Journey continues to take a conservative approach to capital spending for 2021, with a focus on repaying the term debt that matures in 2021 and then building its opening cash balance for 2022. The continued strength in commodity prices, coupled with favorable price differentials, and a lower operating cost structure are combining to make Journey more sustainable well into the future. Journeys' updated 2021 guidance with updated forecast prices is presented in the table below:

<b>Metric</b>	<b>Previous (August 10, 2021)</b>	<b>Revised</b>
Annual average daily sales volumes	7,600 – 7,900 boe/d (45% crude oil and NGL)	7,700 – 8,100 boe/d (45% crude oil and NGL)
Adjusted Funds Flow	\$35 - \$37 million	\$45 - \$47 million
Adjusted Funds Flow per basic weighted average share	\$0.77 - \$0.81	\$0.99 - \$1.05
E&D capital spending	\$5 - \$6 million	\$7 - \$8 million
Year-end net debt	\$63 - \$65 million	\$53 - \$54 million
Corporate annual decline rate	14%	14%

Journey's preliminary 2022 guidance is presented in the table below:

<b>Metric</b>	<b>Guidance</b>
Annual average daily sales volumes	8,200 – 9,000 boe/d (46% crude oil and NGL)
Adjusted Funds Flow	\$55 - \$60 million
Adjusted Funds Flow per basic weighted average share	\$1.14 - \$1.25
Capital spending (excluding A&D)	\$36 million
Year-end net debt	\$28 - \$34 million
Corporate annual decline rate	15%

Journey's 2022 forecasted funds flow is based upon the following assumed average prices: WTI of \$75/bbl USD; Company differentials of \$5/bbl USD for oil from Edmonton mixed sweet prices; Company realized natural gas price of CDN\$3.75/mcf CDN; and a foreign exchange rate of \$0.82 US\$/CDN\$. The 2022 forecast prices approximate current strip prices. Strip prices can be very volatile and the forecast can change materially. As is Journey's practice, the Company will update its guidance at each quarterly reporting date throughout the year.

We look forward to updating you on our progress, and we look forward to providing further clarity for what promises to be an exciting capital program in 2022.

### **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 securityholders 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 Journeys 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, 2021. 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) **“Adjusted Funds Flow”** is calculated by taking “cash flow provided by operating activities” from the financial statements and adding or deducting: changes in non-cash working capital; non-recurring “other” income; transaction costs; and decommissioning costs. Adjusted Funds Flow per share is calculated as Adjusted Funds Flow divided by the weighted-average number of shares outstanding in the period. Because Adjusted Funds Flow and Adjusted Funds Flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of performance than the GAAP measured “cash flow generated from operating activities”. In addition, Journey excludes transaction costs from the definition of Adjusted Funds Flow, as these expenses are generally in respect of capital acquisition transactions. The Company considers Adjusted 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. Journey’s determination of Adjusted Funds Flow may not be comparable to that reported by other companies. Journey also presents Adjusted Funds Flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited, year-end consolidated financial statements.
- (2) **“Netback(s)”**. The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers netbacks as a key performance measure as it demonstrates the Company’s profitability relative to current commodity prices. Management also uses them in operational and capital allocation decisions. Journey uses netbacks to assess its own performance and performance in relation to its peers. These netbacks are operating, Funds Flow and net income (loss). **“Operating netback”** is calculated as the average sales price of the commodities sold (excluding financial hedging gains and losses), less royalties, transportation costs and operating expenses. **“Adjusted Funds Flow netback”** begins with the operating netback and deducts general and administrative costs, interest costs and then adds or deducts any realized gains or losses on derivative contracts. To calculate the **“net income (loss) netback”**, Journey takes the Adjusted Funds Flow netback and then adds or deducts: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; asset

impairments; exploration and evaluation expenses; PP&E impairments and reversals; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

- (3) “**Net debt**” is calculated by taking current assets and then subtracting accounts payable and accrued liabilities; the principal amount of term debt; and the carrying value of the other liability. Net debt is used to assess the capital efficiency, liquidity and general financial strength of the Company. In addition, it is used as a comparison tool to assess financial strength in relation to Journey’s peers.

### **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 nine (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**

The following abbreviations are used throughout these MD&A and have the ascribed meanings:

AIMCo	Alberta Investment Management Corporation
A&D	Acquisition and divestiture expenditures
bbl	barrel
bbls	barrels
boe	barrels of oil equivalent (see conversion statement below)
boe/d	barrels of oil equivalent per day
gj	gigajoules
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
Mbbls	thousand barrels
MMBtu	million British thermal units
Mboe	thousand boe
Mcf	thousand cubic feet
Mmcf	million cubic feet
Mmcf/d	million cubic feet per day
MSW	Mixed sweet Alberta benchmark oil price

<i>NGL's</i>	<i>natural gas liquids (ethane, propane, butane and condensate)</i>
<i>WCS</i>	<i>Western Canada Select benchmark oil price</i>
<i>WTI</i>	<i>West Texas Intermediate benchmark Oil price</i>

*In this press release, where the Company uses the term "crude oil" it is referring to the aggregate of light, medium and heavy crude oil volumes or dollars as is required. Where the Company uses the term "natural gas" it is referring to the aggregate of conventional natural gas and coal-bed methane natural gas volumes or dollars as is required.*

*All volumes in these MD&A refer to the sales volumes of crude oil, natural gas and associated by-products measured at the point of sale to third-party purchasers. For natural gas, this occurs after the removal of natural gas liquids.*

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