CALGARY, Aug. 12, 2015 /CNW/ - Journey Energy Inc. (JOY – TSX) ("Journey" or the "Company") is pleased to announce its financial results for the second quarter of 2015. The complete set of financial statements and management discussion and analysis for the three and six month periods ended June 30, 2015 are posted on www.sedar.com and on the Company's website www.journeyenergy.ca.

HIGHLIGHTS

Highlights for the second quarter include:

- Realized cash flow from operations of $14.0 million in the quarter or $0.32 per share.
- Achieved a production level of 10,609 BOE/d, as compared to 11,151 in the second quarter of 2014.
- Liquids (oil and natural gas liquids) production accounted for 5,646 BOE/d in the quarter, a 4% decrease over the same quarter in 2014.
- Received a corporate average commodity price of $36.59/BOE compared to $60.86/BOE during the same period in 2014.
- Continued to reduce general and administrative costs to $2.51/BOE (exclusive of one time staff reduction and pay costs) compared to $3.18/BOE in 2014.
- Declared dividends of $0.075 per share.
- Net debt at the end of the second quarter was $97.8 million, down from $104.7 million at March 31, 2015.

Subsequent to the end of the quarter, Journey closed three important transactions:

- In July, Journey closed a property acquisition and a strategic farm-in deal in our Countess/Brooks focus area. These transactions included the acquisition of approximately 35 BOE/d (70% liquids) and access to 11.75 sections of prospective Mannville rights. This area is covered by 3D seismic and Journey has production on both these lands and immediately offsetting lands. The total cost for these two transactions was $2.2 million. Journey intends to drill a well on the acquired lands prior to year-end.
- In August, Journey consolidated several unit interests in the Company's Central Alberta focus area for a cost of $1.85 million, adding 30 boe/d (70% liquids). Journey is currently drilling a development well on the acquired unit lands.

	Three Months ended			Six months ended		
	June 30,			June 30,		
Financial ($000's except per share amounts)	2015	2014	% change	2015	2014	% change
Production revenue	35,328	61,764	(43)	66,283	103,400	(36)
Cash flow from operations	14,040	22,096	(36)	31,403	42,677	(26)
Per basic share	0.32	0.78	(59)	0.72	1.57	(54)
Per diluted share	0.32	0.74	(57)	0.71	1.49	(52)
Net income	6,846	3,480	98	3,474	2,360	47
Per basic share	0.16	0.12	33	0.08	0.09	(11)
Per diluted share	0.15	0.12	25	0.08	0.08	-
Capital expenditures, net cash	4,803	14,088	(66)	25,085	210,487	(88)
Net debt	97,849	86,888	13	97,849	86,888	13
Share Capital (000's)						
Basic, weighted average	43,811	28,280	55	43,669	27,264	60
Basic, end of period	43,994	43,089	2	43,994	43,089	2
Fully diluted	49,311	46,812	5	49,311	46,812	5
Daily Production						

Natural gas volumes (mcf/d)	29,779	31,484	(5)	30,845	25,991	19
Light oil (bbl/d)	4,587	4,591	-	4,706	3,727	26
Heavy oil (bbl/d)	451	496	(9)	455	498	(9)
Natural gas liquids (bbl/d)	608	817	(26)	637	729	(13)
Corporate (boe/d)	10,609	11,151	(5)	10,939	9,286	18
Average Prices						
Natural gas ($/mcf)	2.61	4.87	(46)	2.66	5.16	(48)
Light Oil ($/bbl)	58.24	93.87	(38)	51.75	92.23	(44)
Heavy oil (bbl/d)	56.20	90.63	(38)	51.01	85.62	(40)
Natural gas liquids ($/bbl)	29.83	60.69	(51)	27.42	69.53	(61)
Corporate ($/boe)	36.59	60.86	(40)	33.48	61.52	(46)
Netbacks ($/boe)						
Realized prices	36.59	60.86	(40)	33.48	61.52	(46)
Royalties	(4.18)	(12.06)	(65)	(4.12)	(10.80)	(62)
Operating expenses	(14.63)	(15.94)	(8)	(14.61)	(14.89)	(2)
Transportation expense	(0.61)	(0.30)	103	(0.83)	(0.40)	108
Operating netback	17.17	32.56	(47)	13.92	35.43	(61)
Wells drilled						
Gross	-	7	-	6	15	(60)
Net	-	6.0	-	5.7	10.4	(45)
Success rate	-	100%	-	100%	100%	-

SECOND QUARTER 2015 SUMMARY

The second quarter of 2015 continued to be a challenging time for our industry, due to the prolonged weakness in commodity prices. Journey responded by reducing capital expenditures to preserve balance sheet flexibility. Journey's Q2 2015 exploration and development capital spending was $4.7 million, a portion of which is attributed to the commencement of our second half drilling program. Production levels in the second quarter were 5% lower than the same quarter in 2014. This is largely, attributable to reduced spending in the quarter and shut-ins of uneconomic wells. Approximately 150 BOE/d of production was shut in during the quarter. Journey currently anticipates that most of this production will remain shut-in until commodity prices improve or cost reductions are achieved at third party facilities. Journey continues to review all production with high variable costs for potential curtailment. Although these curtailments have an impact on production, they have minimal impact on liquids production or on forecasted cash flow.

Toward the end of the second quarter, Journey initiated its second half drilling program. The eight well program is concentrated in the Company's recently acquired large oil-in-place pools in central Alberta.

FINANCIAL

Journey achieved cash flow from operations of $14.0 million in the second quarter of 2015 compared to $22.1 million in the same of quarter of last year. While daily production declined 5% from the second quarter of 2014 to 10,609 BOE/d, average commodity prices decreased by 40% from the comparable quarter in 2014. Helping mitigate lower realized commodity prices in the second quarter, was a $1.5 million gain in respect of favorable oil hedges. On a per share basis, cash flow was $0.32 per basic and diluted weighted average share. Journey realized net income of $6.8 million ($0.16 per basic share and $0.15 per diluted share) in the quarter representing a 98% increase from the $3.5 million earned in the second quarter of 2014. A significant contributor to the current quarters' net income was an $8.8 million recovery of deferred income taxes, which was mainly attributable to the provincial income tax rate increase on July 1.

Journey's production mix was similar to the comparable quarter of last year, which was weighted 47% to oil; 47% to natural gas and 6% to natural gas liquids. As a percentage of revenue, 75% was derived from oil sales; 20% from natural gas and 5% came from natural gas liquids.

Royalty costs were down 65% in the second quarter to average $4.18/BOE as compared to $12.06/BOE in the same quarter of 2014. Furthermore, the average royalty rate (as a percentage of revenue) was down 42% to 11.4% from 19.8% in 2014. Operating costs were down 8% to $14.63 per BOE in the second quarter compared to $15.94/BOE in the same quarter of 2014.

In recognition of the challenging cash flow environment, Journey completed its strategic review of its operations as mentioned in its last press release. During the second quarter, Journey implemented a cost reduction strategy which included: work force reductions in the field and its head office; reducing contractor hours and rates, and reducing salary and benefits for all staff. These measures, coupled with the reductions in capital spending, and then layering in cost reductions from its suppliers and consultants, will assist Journey in navigating through this challenging commodity price environment.

During the second quarter, Journey invested $4.8 million in net capital. The reduced pace of spending during the quarter allowed us to bring down the net debt from the first quarter exit level. The Company commenced its second half drilling program near the end of the quarter in anticipation of an active third quarter.

Net debt at the end of the second quarter was $97.8 million which was down from $100.6 million at December 31, 2014 as well as being lower than the $104.7 million from March 31, 2015. At June 30, 2015 Journey was drawn $90 million on its $205 million credit facility and expects to maintain ample room on the available amount throughout the remainder of the year.

DIVIDENDS

Journey declared dividends totaling $0.075/share in the second quarter and this brought the six month, 2015 total dividends paid to $0.15 per share. Journey's Dividend Reinvestment Plan ("DRIP") and Stock Dividend Plan ("SDP") combined participation rate was approximately 51% in the second quarter.

The Board of Directors of Journey previously declared the dividend for July to be $0.025 per common (and restricted voting) share, which will be paid on August 17, 2015 to shareholders of record on July 31, 2015.

The challenges for our industry have continued since our previous reporting in May due to commodity prices remaining at multi-year lows. The recent decline in WTI to sub-$50 USD per barrel has placed additional pressure on our industry to review every aspect of their business. Journey has remained flexible and adjusted its capital spending to ensure that debt levels are not just manageable, but remain at relative levels that are better than the average of our peers. While our balance sheet is of paramount importance, we continue to be committed to our dividend model over the longer term as an integral part of the total return we provide to our shareholders. We feel that this program suits our low decline asset base and the future potential to continue to mitigate declines through secondary recovery projects.

Although our current dividend level represents a simple payout ratio of 24% of forecasted 2015 cash flow, Journey believes that the current share price is not reflective of the underlying asset value within the Company, and as such, the dilution created by the current DRIP program is unacceptably high. In order to reduce this level of dilution on an ongoing basis, while our share price remains low, Journey is undertaking the following measures;

- Beginning in August, the effective dividend level will be reduced to 2¢/share per month from the current level of 2.5 ¢/share per month. Although this represents a 20% reduction in absolute terms, it represents a 10% yield in relative terms at the current share valuation and therefore represents a significant portion of the total return to shareholders. This revised dividend level represents approximately 20% of Journey's forecasted cash flow on an annualized go forward basis.
- Beginning in August, Journey will eliminate the 2% discount rate offered to DRIP participants. Journey is not forecasting any significant change in the DRIP participation rate as a result of this change.
- In order to minimize dilution resulting from share issuances from treasury, Journey intends to satisfy DRIP share issuances through a combination of issuance from treasury and purchases in the stock market. The market purchases will currently target approximately half of the total shares issued through the DRIP program.
- Market purchases to satisfy the DRIP will be coordinated through Journey's DRIP plan administrator.

Effective today, the Board of Directors of Journey has revised Journey's dividend policy to a quarterly declaration and payment, which will allow the Company sufficient time to make share purchases in the market to satisfy the DRIP obligations. Given that the July dividend has been declared already and will be paid on August 17, the Board has today declared the dividend for the remainder of the third quarter (August and September production months) of $0.04 per common (and restricted voting) share, which will be paid on October 15, 2015 to shareholders of record on September 30, 2015 and will have an ex-dividend date of

September 28, 2015. The dividend is payable in either cash or common shares, at the election of the shareholder. This dividend has been designated as an "eligible dividend" for Canadian income tax purposes. Shareholders are reminded that, at their election, they may participate in the DRIP or the SDP instead of receiving a cash dividend.

After incorporating our forecasted DRIP and SDP participation rates, the total cash dividend burden is less than 11% of 2015 cash flow. In aggregate, the net effect of these changes will add approximately $1.1 million to the cash component of Journey's dividend costs for 2015.

OUTLOOK

Given the extended downturn in commodity pricing, for oil in particular, Journey feels it is prudent to reduce its remaining 2015 capital budget, and will continue to focus on drilling wells which will help to further define our 2016 and 2017 capital program. In addition, while commodity prices remain low, Journey plans to allocate a higher portion of capital to its water flood projects. This is partially due to the longer lead time for production response, which provides time for commodity prices to stabilize, and also due to the recent indications of a favorable response to initial water flood pilots in our Matziwin field.

In the Countess/Brooks area, Journey is pleased to have recently completed two transactions. The first, in July, was Lease Issuance and Option Agreement with Heritage Royalty whereby Journey has been issued freehold leases covering 11.75 net sections directly adjacent to its core development area. This agreement significantly expands our land position and Journey anticipates drilling a well on these lands in the second half of 2015. In conjunction with the Heritage transaction, Journey closed a second transaction for the purchase of approximately 35 BOE/d (70% liquids) from a major producer. The total cost for both transactions was $2.2 million. A third transaction was closed in August and encompassed the consolidation of unit interests in Central Alberta. This consolidation transaction had a purchase price of $1.85 million and included 30 BOE/d of production (70% liquids).

Journey's updated guidance for 2015 is as follows:

Annual average production	10,400 to 10,600 BOE/d (53% liquids)
Capital program (including net acquisitions)	$53 to $55 million
Cash flow	$51 to $53 million
Year end net debt	$108 to $110 million
Cash flow per basic, weighted average share	$1.16 - $1.20
DRIP/SDP rate	51%

Journey's 2015 capital program is currently forecast to yield annual production volumes in the 10,400 to 10,600 BOE/d range. Our guidance range has been marginally adjusted from the last reporting in May to take into account recent acquisitions, downtime due to third party outages and reduced capital spending in response to continued deterioration in oil prices. The additional reductions in capital spending bring the capital program for the year to $53 to $55 million from the $61 to $63 million set in May. The reduced capital program will result in Journey participating in 15 gross wells (13.6 net) for the year, of which 5.7 net wells were drilled to the end of June. Journey will provide an operational update on the results of this drilling program in due course.

Journey is currently forecasting cash flow from operations of $51-$53 million with net debt ending the year at between $108 and $110 million. Currently, Journey is using the following average 2015 prices in its forecast for the year: WTI of US$51.40/bbl; AECO gas of C$2.90/mcf; and an FX rate of $0.77 US$/CDN$.

Journey's shares currently trade below our proved, developed producing net asset value (using NPV10% and current net debt). On April 10, 2015, Journey received approval from then TSX to repurchase shares under a Normal Course Issuer Bid ("NCIB"). During July, the Company repurchased 28,300 shares at an average price of $3.27 per share. Journey continues to monitor all aspects of our business including, the ongoing use of the NCIB to enhance per share value.

Journey would like to thank all of our shareholders and employees for their continued support and dedication as we navigate through this industry downturn.

Journey is also pleased to announce that Stephen W.C. Mulherin has been appointed as Chairman of the Board of Directors. Previously Mr. Mulherin occupied the role of Lead independent Director.

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 provide investors with growth plus a sustainable yield by focusing on drilling its existing core lands, implementing water flood projects, executing on accretive acquisitions and growing its production base. Journey seeks to optimize its legacy oil pools through the application of best practices in horizontal drilling and, where feasible, with water floods.

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, 2015. 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 cash 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.

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

All reserve references in this press release are "Company Gross Reserves". Company gross reserves are the Company's total working interest share of reserves before deduction of any royalties and excluding any royalty interests of the Company.

All future net revenues are stated prior to provision of general and administrative expenses, interest, but after the deduction of royalties, operating costs and estimated future capital expenditures. Future net revenues have been presented on a before tax basis. Estimated values of future net revenue disclosed herein are not representative of fair market value.

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-GAAP Measures

The company uses the following non-GAAP measures in evaluating corporate performance. These terms are not recognized under Generally Accepted Accounting Principles ("GAAP").

(1) The Company considers cash flow from operations (also referred to as "cash 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. Cash flow from operations is calculated as cash from operating activities before changes in non-cash working capital, transaction costs and decommissioning costs incurred. Cash flow from operations per share is calculated as cash flow from operations divided by the weighted-average number of shares outstanding in the period. Journey's determination of cash flow from operations may not be comparable to that reported by other companies. Journey also presents cash 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-GAAP measure and represents current assets less current liabilities and bank debt (but excludes the potential future liability (or assets) related to the mark-to-market measurement of derivative contracts). It does not have a standardized meaning prescribed by International Financial Reporting Standards and it is therefore unlikely to be comparable to similar measures presented by other companies.
(3) Operating netback is a non-GAAP measure and equals total revenue less royalties, transportation and operating costs calculated on a per BOE basis. Cash flow netback equals the operating netback less cash finance costs, general and administrative costs, realized gains and losses on derivative contracts, plus any interest income. Operating netback and funds flow from operations netback do not have a standardized measure prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculations of similar measures for other companies.

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.

SOURCE Journey Energy Inc.

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