CALGARY, May 9, 2016 /CNW/ - Journey Energy Inc. (JOY – TSX) ("Journey" or the "Company") is pleased to announce its financial results for the first quarter of 2016. The complete set of financial statements and management discussion and analysis for the periods ended March 31, 2016 and 2015 are posted on www.sedar.com and on the Company's website www.journeyenergy.ca.

HIGHLIGHTS

Highlights for the first quarter are as follows:

- Achieved a production level of 9,533 BOE/d in the first quarter, essentially flat compared with the fourth quarter of 2015.
- Liquids (oil and natural gas liquids) production accounted for 5,245 BOE/d or 55% of total production during the quarter.
- Received a corporate average commodity price of $20.81/BOE in the quarter with liquids production accounting for 78% of total sales revenues.
- Drilled 1 (1.0 net) well and expanded the water flood at Skiff.
- Acquired additional working interests and drilling locations in Journey's core area of Herronton for $613 thousand.
- Entered into the following new hedges:
  - Oil swap; 1,000 bbl/d (CAD $60.00) for July 1, 2016 to December 31, 2016.
  - Oil 3 way collar: 1,000 bbl/d (CAD $39.50 / $60.00 / $65.00) for October 1, 2016 to March 31, 2018.
  - Natural gas collar: 5,000 Gj/day (CAD $2.35/Gj floor; $2.86/Gj ceiling) for the period of November 1, 2016 to March 31, 2017.
  - Natural gas collar: 5,000 Gj/day (CAD $2.40 floor; $2.85/Gj ceiling) for the period of November 1, 2016 to March 31, 2018.

	Three months ended		
	March 31,		
Financial ($000's except per share amounts)			%
	2016	2015	change
Production revenue	18,055	30,954	(42)
Cash flow from operations	1,145	17,363	(93)
Per basic share	0.03	0.40	(93)
Per diluted share	0.03	0.39	(92)
Net loss	(6,984)	(3,372)	107
Per basic share	(0.16)	(0.08)	100
Per diluted share	(0.16)	(0.08)	100
Capital expenditures, net cash	3,719	20,282	(82)
Net debt	109,203	104,714	4
Share Capital (000's)			
Basic, weighted average	43,615	43,522	-
Basic, end of period	43,615	43,648	-
Fully diluted	49,492	48,481	2
Daily Production			

Natural gas volumes (mcf/d)	25,729	31,924	(19)
Crude oil (bbl/d)	4,563	5,286	(14)
Natural gas liquids (bbl/d)	682	666	2
Corporate (BOE/d)	9,533	11,273	(15)
Average Prices			
Natural gas ($/mcf)	1.72	2.71	(37)
Crude Oil ($/bbl)	30.91	45.54	(32)
Natural gas liquids ($/bbl)	19.09	25.19	(24)
Corporate ($/BOE)	20.81	30.51	(32)
Netbacks ($/BOE)			
Realized prices	20.81	30.51	(32)
Royalty expense	(2.57)	(4.06)	(37)
Operating expense	(14.21)	(14.59)	(3)
Transportation expense	(0.40)	(1.05)	(62)
Operating netback	3.63	10.81	(66)
Wells drilled			
Gross	1	6	(83)
Net	1.0	5.7	(82)
Success rate (%)	100	100	-

OPERATIONS

Journey achieved production of 9,593 BOE/d (55% liquids) in the first quarter, representing a 1% reduction from fourth quarter 2015 levels. The lower pricing environment throughout 2015 persisted into 2016 resulting in reductions to Journey's capital program. This had an adverse impact on production due to natural declines. However, new volumes in excess of 550 BOE/d from our two well drilling program in Brooks were added in January, helping to mitigate those declines. Journey drilled one well in Skiff in February and this well was placed on production in the last week of March.

Journey also continued to focus on water flood projects and a portion of its reduced capital program was spent in water flood developments in Herronton and Skiff. In both areas, existing horizontal wells were converted to water injection to provide pressure support for the oil pools. Water flood projects are relatively inexpensive to implement and aid in mitigating corporate declines as well as contribute to additional reserve bookings at the end of the year. Consequently, Journey will continue to pursue these projects throughout the year.

During February, an existing vertical well was re-activated in Glenevis and produced 60 bbl/d of oil in March. Additional reactivations are being considered. Journey continues to monitor the economic performance of all wells given the current pricing environment. Approximately 250 BOE/d is currently suspended due to economic conditions.

FINANCIAL

The decline in commodity prices in 2015 continued into the first quarter of 2016 with Journey's realized commodity price decreasing by 27% from the fourth quarter of 2015 and 32% compared to the first quarter of 2015. Cash flow from operations was $1.1 million for the first quarter compared to $9.5 million in the fourth quarter of 2015. Cash flow was negatively impacted by a $1.1 million restructuring charge due to severance costs. Helping to mitigate lower realized commodity prices, was a $2.8 million realized gain in respect of oil hedges. On a per share basis, cash flow was $0.03 per basic and diluted share. Journey's net loss in the first quarter was $7.0 million or $0.16 per basic and diluted share.

Journey's production mix improved over 2015 levels with aggregate liquids (oil and natural gas liquids) achieving 55% of total production as compared to 53% in the first quarter of 2015. As a percentage of revenue, 78% of the corporate revenues were derived from liquids sales compared to 75% in 2015.

Royalty costs were down 37% in the first quarter to average $2.57/BOE as compared to $4.06/BOE in the same quarter of 2015. Commensurate with the decline in commodity prices, the average royalty rate (as a percentage of revenue) was down 8% to 12.3% from 13.3% in 2015. Operating and transportation costs were down 7% in the first quarter to average $14.61/BOE as compared to $15.64 in the first quarter of 2015. Journey continues to push for cost efficiencies in the field and while a significant portion of the operating costs are fixed, the industry pressures on oilfield service costs helped to push costs lower into 2016. General and administrative costs were $3.9 million after capitalization and recoveries.

The continued decline in commodity prices caused Journey to limit its capital spending to $3.7 million in the first quarter. This amount included the drilling of 1 (1.0 net) well in Skiff and the acquisition of additional working interests in Journey's core area of Herronton for $613 thousand. Journey exited the quarter with net debt of $109.2 million, which was consistent with previous guidance. Net debt was comprised of $94.8 million of bank debt and $14.4 million of working capital deficiency. The current bank facility of $140 million is currently undergoing its annual review and is currently anticipated to be complete by May 20. Since commodity prices have significantly declined from those used by the banks in the fall of 2015, it is expected that the borrowing base will be reduced as well. While the amount of the new credit facility has not been finalized, Management currently estimates that the borrowing base will be reduced by approximately 20%.

2016 GUIDANCE

Over the first four months of 2016, our oil and gas industry has faced its largest challenge in a generation. Future development projects contained in Journey's reserve evaluation generate attractive rates of return in excess of 50% using 2015 year-end consensus pricing. The rates of return on our inventory are similar to 2014 levels, with lower commodity pricing being offset by lower drilling and completion costs. Lower development costs give Journey the ability to do more with fewer dollars spent. This bodes well for Journey and for our industry. With that being said, strip prices remain below reserve report forecasted prices for the near term.

Although the recent rally in oil prices, if sustainable, begins to set the tone for a brighter future, Journey management has chosen to take a measured approach to this rally by continuing to focus on cost reductions over capital spending and by reducing our exposure to commodity fluctuations by adding to our hedged volumes. A summary of Journey's hedging program is shown in the following table:

Type	Product	Volume	Term	Floor	Ceiling
Swap	Oil	1,000 bbl/d	Apr 1/16-Jun 30/16	$77/CDN	N/A
Swap	Oil	1,000 bbl/d	Jul 1/16-Dec 31/17	$60/CDN	N/A
3 Way Collar*	Oil	1,000 bbl/d	Oct 1/16-Mar 31/18	$60/CDN*	$65/CDN
Collar	Gas	5,000 Gj/d	Nov 1/16-Mar 31/17	$2.35/Gj	$2.86/Gj
Collar	Gas	5,000 Gj/d	Nov 1/16-Mar 31/18	$2.40/Gj	$2.85/Gj

* Put floor of $39.50 CDN

Journey now has 40% - 50% of its production (both liquids and natural gas) net after royalty hedged for 2017. This level of hedging is designed to ensure that all operating and corporate costs are covered until the end of 2017. Journey will tailor our go forward capital program to our cash flow for the medium term. Under the current strip, Journey forecasts cash flow in 2017 increasing to between $20 and $30 million, a level which should be sufficient to maintain production at 2016 levels. Journey has a ready inventory with over $40 million of delayed capital projects and is poised to increase capital and grow production as soon as there is evidence of a sustained recovery in commodity prices.

Journey remains in the fortunate position of owning and operating its own destiny. The Company faces no expiry issues since our legacy low decline pools are retained by existing producing wells. This allows Journey the flexibility to prioritize the reduction of debt over spending development capital. Journey intends to take advantage of low industry costs to prudently expand long lead time water flood projects and remains poised to ramp up capital expenditures and return production to previous levels as commodity prices improve.

Journey's guidance for 2016 is as follows:

	Revised Guidance	Previous Guidance
Annual average production*	8,500 to 8,900 BOE/d (54% liquids)	8,700 to 9,000 BOE/d (55% liquids)
Capital program (excluding acquisitions)	$9 million	$9 million
Cash flow	$12-14 million	$15-16 million
Year end net debt	$102 to $104 million	$100 to $101 million
Cash flow per basic, weighted average share	$0.28-$0.32	$0.34-$0.37

*Annual production guidance had been reduced due to delays in deployment of 2016 capital, as well as delays in returning wells to production in the current environment.

Journey's muted 2016 capital program is currently forecast to yield annual production volumes in the 8,500 to 8,900 BOE/d range. The currently projected $9 million in capital will be allocated to drilling, completing, equipping and tieing-in 2 (2.0 net) wells in Brooks, and Skiff. Journey is increasing its emphasis on water flood expansion with injection projects in Matziwin, Skiff and Herronton. These projects require longer lead times for production response, which in turn provide time for commodity prices to stabilize. These projects will contribute to the reduction in our corporate decline rate from the current 22% to approximately 18% by 2017. Journey is also planning a number of recompletion projects including a Coal Bed Methane ("CBM") recompletion project in the Countess area. Although the CBM recompletion program is natural gas, the lower incremental operating costs and royalties result in a payout of less than one year with favorable decline characteristics and a high rate of return.

With the planned capital program, Journey is forecasting cash flow from operations of $12-14 million with net debt exiting the year between $102 and $104 million. These projections are based on the following average 2016 prices: WTI of US$44/bbl; AECO gas of C$1.85/mcf; and a foreign exchange rate of $0.77 US$/CDN$.

Journey will operate substantially all of its 2016 capital program with an average working interest of over 90%. Because of this, Journey can remain flexible with this budget, increasing or decreasing its spending should prices materially change. Journey continues to review additional strategic initiatives to improve financial flexibility including but not limited to asset sales, joint ventures, business combinations, sales of royalty interests, equity injections and debt products and hopes to report progress on these initiatives in due course.

Journey has made great strides in 2015 to reduce its cash costs and will continue to do so in 2016. Operating expenses are anticipated to decrease by approximately $2.5 million in 2016 from 2015, with a similar decrease forecast for 2017. In the head office, Journey has continued to focus on reducing costs. Staff adjustments in the first quarter are anticipated to yield a net annualized G&A cost below $9.5 million.

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. We look forward to seeing our shareholders at our Annual General Meeting on May 25, 2016.

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.

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, 2016. 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.

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 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-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. 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.

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.

Select Definitions

bbl	barrel
bbls	barrels
Mbbls	Thousand barrels
MMBtu	Million British thermal units
NGLs	Natural gas liquids
Mcf	thousand cubic feet
Mmcf	Million cubic feet
Mmcf/d	Million cubic feet per day
Boe	Barrel of oil equivalent
Mboe	Thousand boe
$M	Thousands of dollars

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