Journey Energy Inc. Reports its 2018 Financial Results

12.03.2019 | CNW

CALGARY, March 11, 2019 - Journey Energy Inc. (JOY – TSX) ("Journey" or the "Company") is pleased to ann
2018 financial results. The complete set of financial statements and management discussion and analysis for the year
December 31, 2018 are posted on www.sedar.com and on the Company's website www.journeyenergy.ca.

Highlights for 2018 were:

- Early in 2018, Journey entered into strategic acquisition agreements increasing Journey's Duvernay undevelope
position in the West Shale Basin to over 100 sections (100% working interest).
- In the last half of 2018, further expanded the Duvernay land position in the West Shale Basin to over 165 gross s
- Entered into a Duvernay joint venture with Kiwetinohk Resources Corporation ("KRC"). Journey shareholders will
from early development capital expenditures by KRC in 2019, while retaining 37.5% working interest in the comm
development.
- Drilled 9 (9.0 net) wells in 2018. The drilling program included 8 development wells and 1 Duvernay stratigraphic
West Shale Basin.
- Produced 9,921 boe/d (46% liquids) in the fourth quarter and 10,075 boe/d (47% liquids) for the year-to-date.
- Repurchased for cancelation 12.7 million shares of Journey from a major shareholder for $21.3 million, reducing
share count to 39.2 million basic shares from 51.2 million basic shares at the end of 2017. Entered into a new ter
with AIMCo for $22 million to finance the share purchase.
- Realized funds flow of $18.3 million for 2018. This yielded $0.46 per basic share and $0.45 per diluted share.
- Discovered an undrained lobe in the eastern portion of our Matziwin field and also drilled three successful step o
our Skiff field.

Highlights subsequent to the 2018 year-end were:

- On March 2, 2019, KRC began flow testing the first two horizontal commitment wells at 16-15-042-03W5 and 15-31-042-3W5. Drilling operations continue on 11-02-042-04W5 and completion operations are ongoing at the 12-09-044-03W5 well.

	Three Months ended			Twelve months ended		
	December 31,			December 31,		
Financial ($000's except per share amounts)			%			%
	2018	2017	change	2018	2017	change
Production revenue	20,391	30,311	(33)	115,041	110,085	5
Funds flow	(42)	9,829	(100)	18,293	31,126	(41)
Per basic share	0.00	0.19	(100)	0.46	0.63	(27)
Per diluted share						

0.00

0.19

(100)

0.45

0.62

(27)

Net income (loss)	(16,180)	(138,841)	(88)	(37,447)	(133,021)	(72)
Per basic share	(0.41)	(2.72)	(85)	(0.94)	(2.69)	(65)
Per diluted share	(0.41)	(2.72)	(85)	(0.94)	(2.69)	(65)
Net capital expenditures, cash	1,125	11,328	(90)	26,644	65,628	(59)
Net debt	134,635	103,021	31	134,635	103,021	31
Share Capital (000's)						
Basic, weighted average	39,043	51,106	(24)	39,819	49,390	(19)
Basic, end of period	39,218	51,241	(23)	39,218	51,241	(23)
Fully diluted	46,007	58,371	(21)	46,007	58,371	(21)
Daily Production						
Natural gas volumes (mcf/d)	31,996	34,349	(7)	32,083	32,413	(1)
Crude oil (bbl/d)	3,971	3,971	-	4,067	3,914	4
Natural gas liquids (bbl/d)	617	825	(25)	661	646	2
Barrels of oil equivalent (boe/d)	9,921	10,521	(6)	10,075	9,962	1
Average Prices (including hedging)						
Natural gas ($/mcf)	2.51	2.32	8	1.97	2.40	(18)
Crude Oil ($/bbl)	28.57	55.85	(49)	47.48	52.49	(10)
Natural gas liquids ($/bbl)	32.44	41.83	(22)	40.49	34.54	17
Corporate ($/boe)	21.56	31.94	(32)	28.10	30.67	(8)
Netbacks ($/boe)						
Realized prices (including hedging)	21.56	31.94	(32)	28.10	30.67	(8)
Royalties	(2.95)	(4.48)	(34)	(4.18)	(3.87)	(8)
Operating expenses	(12.97)	(12.49)	4	(13.48)	(13.41)	1
Transportation expense	(0.55)	(0.34)	62	(0.51)	(0.43)	19
Operating netback	5.09	14.63	(65)	9.93	12.96	(23)
Wells drilled						
Gross	-	2	(100)	9	12	(25)
Net	-	2.0	(100)	9.0	11.5	(22)
Success rate (%)	-	100	N/A	100	83	20

OPERATIONS

Journey achieved production of 9,921 boe/d (46% liquids) in the fourth quarter of 2018, representing a slight decrease t

10,277 Boe/d (48% liquids) recorded in the third quarter of 2018. Because of abnormally low crude oil prices in the fou Journey restricted oil production from a key well at Matziwin, deferred routine workovers on oil wells at various locations maintained high field storage of oil until early in 2019 when oil prices started to recover.

The Company drilled 9 (9.0 net) wells including 5 in Matziwin, 3 in Skiff, and 1 stratigraphic well in the Gilby Duvernay. from the eight combined Matziwin and Skiff wells exceeded the Company's expectations. The Matziwin wells encounte undrained lobe in East Matziwin, while the Skiff wells expanded the relatively undrilled southern portion of the Skiff poo Journey's capital investments for 2018 involved more than these development projects, the $16.8 million deployed on t conventional drilling projects resulted in total IP30 production additions in excess of 2,000 boe/d (65% liquids). This bo 2019 where a higher proportion of the budgeted capital expenditures is currently forecast to be spent on projects such The ninth well was a stratigraphic well and was drilled to aid in the continuation of certain Duvernay lands as well as ga information to be used by the Duvernay joint venture.

Journey completed its 2018 capital program in August and as a result, no new production volumes were added during t quarter. Initially, Journey had planned to begin its 2019 drilling program at the end of the fourth quarter of 2018. Howev response to the rapid deterioration in fourth quarter funds flow Journey chose to delay its entire 2019 drilling program u breakup to restore the financial flexibility lost by the lower than expected fourth quarter funds flow. The delay in the ca program will result in no meaningful production additions until approximately August of 2019, which is a full year after t completion of our 2018 drilling program. As a result, Journey's production is forecast to decline throughout the first hal The 2019 capital program will be weighted towards the last half of the year. Based on the continuation of the drilling su achieved in 2018, we have confidence that production levels will return to those realized in the fourth quarter of 2018.

Journey recorded operating expenses of $13.48/boe in 2018. These expenses were virtually the same as the $13.41/b achieved in 2017. During 2018, Journey continued to experience higher than baseline costs related to insuring the inte infrastructure moving forward. These costs included, but were not limited to, replacing our refrigeration unit in Cherhill, installing a liner in a water gathering line in Brooks. Operational reliability in our asset base experienced a marked impr over 2017, and Journey forecasts these one-time costs to be reduced in the future. For 2019, the anticipated reduction expenses is forecast to be offset by an increase in power costs. Therefore, the per boe operating costs in 2019 are for similar to those experienced in 2018, in the $13-14/boe range.

FINANCIAL

The fourth quarter of 2018 was a challenging one for the industry. Journey's funds flow for the fourth quarter was negat thousand. The combination of the decrease in the base reference oil prices coupled with severely widening differential decrease in realized oil prices to $31.53/bbl in the fourth quarter. This compares to a realized price of $68.27/bbl in the quarter. Realized natural gas prices were $2.39/mcf in the fourth quarter, which compared favorably to the benchmark price of $1.62/mcf. The corporate realized price for all commodities was $22.34/boe in the fourth quarter compared to $ in the third quarter. The decline in pricing reduced corporate revenues by 43% quarter over quarter. For the entire year Journey generated Funds Flow of $18.3 million, which was 41% lower than the $31.1 million generated in 2017. While had increases in sales volumes, commodity pricing and G&A savings during 2018, the largest contributors to the declin Flow were higher interest costs from the new term debt, as well as $11.7 million in realized hedging losses.

Journey realized a net loss of $16.2 million or $0.41 per basic and diluted share in the fourth quarter. For 2018, the en net loss was $37.4 million or $0.94 per basic and diluted share. The most significant items contributing to the net loss million from the de-recognition of a portion of Journey's deferred tax asset, as well as the $11.7 million of realized hedg Offsetting these expenses was a $3.4 million unrealized gain on hedging.

Journey's production mix in 2018 was consistent with 2017. Liquids volumes (oil and NGL's) comprised 46% of total vo produced for the fourth quarter of 2018 and 47% for the entire year. This compares to 46% for both the fourth quarter entire year for 2017. Revenue contribution for liquids amounted to 66% in the fourth quarter while for the year to date it for 82%. This compared to 83% in the fourth quarter of 2017 while the 2017 year to date amount was 78%. The dras oil prices in the fourth quarter of 2018 was the primary driver behind this significant drop.

Cash costs (royalties, operating & transportation expenses, G&A and interest costs) were higher by 6% in 2018 as com 2017. Royalty expense was stable throughout the year as a percentage of revenue at the 13.2% level for the fourth qua 13.4% for the year to date. Operating costs were higher in 2018 by 2% and averaged $12.97/boe for the fourth quarter $13.48/boe for the entire year. General and administrative costs were an improvement in 2018 at $9.7 million as compa $10.3 million in 2017. Staff reductions and the realignment of software to the lower staff complement were the reasons decrease. Transportation costs were 18% higher at $1.9 million versus $1.6 million in 2017. Interest costs were higher

due to the combination of a 39% increase in borrowings as well as a 7% increase in interest rates on its credit facility. J
term debt borrowings carry an interest rate of 7.65% per annum while the credit facility had an effective rate of 5.0%.

The low oil prices realized throughout the fourth quarter created significant uncertainty about Journey's future capital sp
plans. Journey made the prudent decision to defer any drilling plans into 2019 while stability returned to Alberta realized
and the differentials contracted. Despite the reduction in organic capital spending Journey is still a participant in the ex
Duvernay oil play, but without any financial commitment. During the fourth quarter, KRC spudded two wells. Upon succ
completion of these wells, Journey will have a royalty interest in the production until payout is achieved, and thereafter,
will convert to a working interest.

In 2018, Journey spent $26.6 million on its capital program ($1.1 million in the fourth quarter) as compared to $65.6 mil
2017. In addition, the Company disposed of minor non-core properties in 2018 yielding proceeds of $5.3 million. These
cumulatively had less than 150 boe/d of production associated with them and consequently there was limited impact on
production volumes and Funds Flow.

Net debt stood at $134.6 million at the end of 2018. A significant contributor to the debt was the issuance $22 million of
promissory notes, which was used to finance the 12.7 million shares repurchased from a significant shareholder. These
were subsequently cancelled. Bank debt was $75.5 million at the end of the year while the available banking credit faci
million. The credit facility is currently under its regularly scheduled annual review and Journey expects this to be compl
April 30.

The Company also re-allocated a portion of its 2018 capital budget to two strategic Duvernay land acquisitions. Althou
improved its value on a per share basis, the increased leverage associated with the land and share purchases resulted
taking a measured approach to its 2018 and 2019 capital programs in an effort to reduce debt levels.

2019 GUIDANCE

Journey has decided to take a conservative approach to capital spending for 2019 in light of the historically wide differe
experienced in the fourth quarter of 2018. The Alberta Government announced a production curtailment initiative in Dec
designed to improve the relative pricing for Canadian barrels. Clearly, any initiative such as this will have its detractors;
the success of this initiative early in 2019 for a company like Journey is apparent, as the differentials have since contra
$5-7 USD/bbl level. Journey has prudently decided to delay the initiation of our 2019 capital program until June, reduce
forecasted capital program from $40 million to $30 million, and carefully monitor volatility in commodity pricing to insure
levels are reduced from 2018 exit debt levels by year end 2019.

Journey's initial 2019 guidance is presented in the table below:

Annual average production	9,200 – 9,600 Boe/d (49% liquids)
Exploration and development capital	$30 million
Funds flow	$33-37 million
Year-end net debt	$128 - $132 million
Funds flow per basic weighted average share	$0.84 – $0.94 share
Corporate annual decline rate	16%

Journey's 2019 forecasted funds flow is based upon the following assumed annual, average prices: WTI of $58.50/bbl U
Company differentials of $5.50/bbl USD for oil from Edmonton light sweet prices; realized natural gas price of CDN$1.9
CDN; and a foreign exchange rate of $0.76 US$/CDN$.

On March 2, 2019, KRC began flow testing the first two Duvernay horizontal wells at 16-15-042-03W5 and 15-31-042-3
Drilling operations continue on the 11-02-042-04W5 well and completion operations are ongoing at the 12-09-044-03V

Over the course of 2019, we look forward to updating you on the results of the Duvernay wells as well as reporting on all other significant corporate developments. We thank you for both your patience and support as we navigate through these volatile times.

About the Company

Journey is a Canadian exploration and production company focused on conventional oil and liquids-rich natural gas 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.

Journey Energy Inc.
700, 517 – 10th Avenue SW
Calgary, AB T2R 0A8
403-294-1635
www.journeyenergy.ca

FORWARD LOOKING STATEMENTS AND OTHER 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 23, 2018. Forward-looking information may relate to Journey's 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 current estimates, expectations and projections, which Journey believes to be reasonable as of the current date. No assurance can be given that the expectations set out 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 operating and financial results are, or will be, included in reports filed with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Non-IFRS Measures

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

(1) The Company considers "funds flow" 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 30 is the average daily production rate of a well in its first full calendar month of production expressed in boe's.

Select Abbreviations and Definitions

bbl	barrel
bbls	barrels
m	meters
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

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

SOURCE Journey Energy Inc.

Contact
Alex G. Verge, President and Chief Executive Officer, 403-303-3232, alex.verge@journeyenergy.ca or Gerry

Gilewicz, Chief Financial Officer, 403-303-3238, gerry.gilewicz@journeyenergy.ca