

CALGARY, Feb. 23, 2016 /CNW/ - [Journey Energy Inc.](#) (JOY &ndash; TSX) ("Journey" or the "Company") is pleased to report its year end 2015 oil and gas reserves evaluation. During 2015, the company invested approximately \$48 million in its capital program including \$41 million in exploration and development, and \$7 million to consolidate working interests in core properties. In response to decreasing commodity prices, Journey's capital program was adjusted lower to preserve our balance sheet. Total capital and development capital expenditures for 2015 were 20% and 45% of 2014 levels respectively.

#### Highlights:

- Increased proved plus probable reserves to a Company record level of 49.8 MMboe, while increasing liquids weighting to 58% from 54% in 2014.
- Proved plus probable net asset value discounted at 10% of \$9.12 per basic share outstanding.
- Proved plus probable, developed, producing net asset value discounted at 10% of \$4.56 per basic share outstanding.
- Proved, developed producing reserves accounted for 40% of total proved plus probable reserves while proved reserves accounting for 58%.
- Finding, development, and acquisition ("FD&A") costs, including change in future development capital:
  - \$11.73 per boe for proved reserves.
  - \$5.13 per boe for proved plus probable reserves.
- Finding and development costs ("F&D") costs, including change in future development capital:
  - \$9.39 per boe for proved reserves.
  - \$3.69 per boe for proved plus probable reserves.
- Journey has consistently achieved strong Proved plus Probable FD&A recycle ratios. For the year ended December 31, 2015 achieved a ratio of:
  - 2.6 times for FD&A costs with proved plus probable reserves.
  - 3.6 times for F&D costs with proved plus probable reserves.
- Proved plus probable reserve life index of 13.1 years, with only \$3.55/boe of future development capital booked in the report
- Proved developed producing and proved plus probable developed producing reserve life index of 6.2 and 8.0 years respectively

#### COMPANY GROSS WORKING INTEREST OIL AND GAS RESERVES AND NET PRESENT VALUES

The following table provides summary information presented in the GLJ Petroleum Consultants Limited ("GLJ") independent reserve assessment and evaluation effective December 31, 2015 (the "GLJ Report"). GLJ evaluated 100% of Journey's crude oil, natural gas liquids ("NGL") and natural gas reserves. The evaluation of all of its oil and gas properties was done in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Detailed reserve information will be presented in the Company's upcoming Statement of Reserves Data and Other Oil and Gas Information section of the Company's Annual Information Form scheduled to be filed on SEDAR on or before March 31, 2016.

#### Company Gross Reserves

Based on Forecast Price and Costs as at December 31, 2015

Light/Medium Heavy Natural Gas NGL Total<sup>(2)</sup>

	Oil	Oil			
Reserves category	(Mbbl)	(Mbbl)	(MMcf)	(Mbbl)	(Mboe)
<b>Proved</b>					
Producing	7,265	2,061	56,786	1,375	20,165
Non-producing	292	38	9,477	53	1,962
Undeveloped	4,159	493	12,093	282	6,949
<b>Total proved</b>	<b>11,716</b>	<b>2,592</b>	<b>78,356</b>	<b>1,710</b>	<b>29,077</b>
Probable	9,368	2,848	46,142	858	20,765
<b>Total proved plus probable</b>	<b>21,084</b>	<b>5,441</b>	<b>124,497</b>	<b>2,567</b>	<b>49,842</b>
<b>Total Producing Category</b>					
Proved plus probable producing	9,986	2,736	76,085	1,785	27,188

Notes:

- (1) Company Gross Reserves consists of Journey's working interest (operated and non-operated) share of reserves before deduction of royalties payable and without including royalties receivable by the Company.
- (2) In the case of natural gas volumes, boe's are derived by converting natural gas to oil using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf:1 bbl).
- (3) Total values may not add due to rounding.

Net Present Values of Future Net Revenue (Based on Forecast Prices and Costs)

	Before Tax Net Present Value (\$000's)				
Reserves category	0%	5%	10%	15%	20%
<b>Proved</b>					
Producing	339,292	262,408	212,341	178,335	154,080
Non-producing	33,149	16,093	9,696	6,415	4,438
Undeveloped	157,048	87,645	53,585	34,083	21,825
<b>Total proved</b>	<b>529,489</b>	<b>366,145</b>	<b>275,622</b>	<b>218,833</b>	<b>180,343</b>
Probable	543,090	321,661	210,179	146,648	107,139
<b>Total proved plus probable</b>	<b>1,072,579</b>	<b>687,806</b>	<b>485,801</b>	<b>365,481</b>	<b>287,482</b>
<b>Total Producing Category</b>					
Proved plus probable producing	522,470	374,147	287,053	232,091	194,968

Notes:

- (1) Total values may not add due to rounding
- (2) Forecast pricing used is the average of the published price forecasts for GLJ Petroleum Consultants Ltd., Sproule Associates Ltd. and McDaniel & Associates Consultants Ltd. as at December 31, 2015.
- (3) It should not be assumed that the net present values of future net revenues estimated by GLJ represent fair market value of reserves. There is no assurance that the forecast price and cost assumptions will be attained and variances could be material.

The forecast prices and foreign exchange rates used in the GLJ Report is as follows:

	WTI Cushing	Edmonton	Par Alberta	Foreign
	Oklahoma	40 API	AECO-spot	Exchange
	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/mmbtu)	(\$US/\$CDN)
2016	44.67	55.89	2.57	0.735
2017	55.20	66.47	3.14	0.767
2018	63.47	73.21	3.47	0.802
2019	71.00	81.35	3.80	0.817
2020	74.77	84.57	3.99	0.833
2021	78.24	87.88	4.13	0.842
2022	81.75	92.01	4.30	0.842
2023	85.37	96.24	4.48	0.842
2024	87.32	98.17	4.60	0.842
2025	88.90	99.94	4.70	0.842
2026	90.54	101.79	4.79	0.842
2027	92.22	103.69	4.88	0.842
2028	93.90	105.55	4.96	0.842
2029	95.62	107.49	5.05	0.842
2030	97.40	109.49	5.15	0.842
Thereafter	+1.8%/yr	+1.8%/yr	+1.8%/yr	0.842

#### FINDING, DEVELOPMENT AND ACQUISITION COSTS ("FD&A")

Journey's finding and development ("F&D") and finding, development and acquisition ("FD&A") costs for 2015, 2014 and the three year average are presented in the tables below. The capital costs used in the calculations are those costs related to: land acquisition and retention, seismic, drilling, completions, tangible well site, tie-ins, and facilities, plus the change in estimated future development costs ("FDC") as per the independent evaluator's reserve report. Acquisition costs are the net cash outlays in respect of acquisitions; minus the proceeds from the disposition of properties during the year. Due to the timing of capital costs and the subjectivity in the estimation of future costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FDC's generally will not reflect total FDC's related to reserve additions for that year. The reserves used in this calculation are working interest reserve additions, including technical revisions and changes due to economic factors. The 2015 capital expenditures are unaudited as the financial results are in the process of being finalized.

Proved Finding, Development & Acquisition Costs 2015 2014 3 Year

Average

Capital expenditures (including acquisitions; net of dispositions; (unaudited in \$000's)<sup>(2)</sup>) 48,051 260,390

Change in future capital (\$000's) (16,911) 30,143

Total capital for FD&A (unaudited 000's) 31,140 290,533

Reserve additions, including acquisitions (Mboe) 2,654 19,826

Proved FD&A costs – including changes in future capital 11.73 14.65 15.13 (\$/boe)

Proved FD&A costs – excluding changes in future capital 18.11 13.13 14.72 (\$/boe)

Recycle ratio<sup>(1)</sup>

Including changes in future capital 1.1 2.1 1.6

Proved plus Probable Finding, Development & Acquisition Costs 2015 2014 3 Year

Average

Capital expenditures (including acquisitions; net of dispositions; (unaudited, in \$000's) <sup>(2)</sup>) 48,051 260,390

Change in future capital (\$000's) (27,832) 73,527

Total capital for FD&A (unaudited; in 000's) 20,219 333,917

Reserve additions, including acquisitions (Mboe) 3,942 28,320

Proved plus Probable FD&A costs – including changes in future capital (\$/boe) 5.13 11.79 11.38

Proved plus Probable FD&A costs – excluding changes in future capital (\$/boe) 12.19 9.19 10.08

Recycle ratio <sup>(1)</sup>

Including changes in future capital 2.6 2.6 2.1

Proved Finding & Development Costs 2015 2014 3 Year

Average

Capital expenditures (excluding acquisitions, unaudited, \$000's) <sup>(2)</sup>	40,536	88,218	
Change in future capital (\$000's)	(18,774)	5,480	
Total capital for F&D (unaudited \$000's)	21,762	93,698	
Reserve additions, excluding acquisitions (Mboe)	2,318	5,442	
Proved F&D costs – including changes in future capital (\$/boe)	9.39	17.22	16.81
Proved F&D costs – excluding changes in future capital (\$/boe)	17.49	16.21	19.36
Recycle ratio <sup>(1)</sup>			

Including changes in future capital	1.4	1.8	1.4
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Proved Plus Probable Finding & Development Costs 2015 2014 3 Year

Average

Capital expenditures (excluding acquisitions, unaudited, \$000's) <sup>(2)</sup>	40,536	88,218	
Change in future capital (\$000's)	(31,274)	13,681	
Total capital for F&D (unaudited \$000's)	9,262	101,899	
Reserve additions, excluding acquisitions (Mboe)	2,513	7,138	
Proved plus Probable F&D costs – including changes in future capital (\$/boe)	3.69	14.28	12.41
Proved plus Probable F&D costs – excluding changes in future capital (\$/boe)	16.13	12.36	14.49
Recycle ratio <sup>(1)</sup>			
Including changes in future capital	3.6	2.1	1.9

Notes:

(1) Recycle ratio is calculated as the operating netback per boe divided by F&D or FD&A costs per boe as applicable. The operating netbacks used in the respective years are as follows: 2015 (unaudited) - \$13.26/boe; 2014 - \$30.61 and the three year average is \$23.70.

(2) Development capital has been adjusted for the effects of reserves categorized as acquisitions and dispositions

The following table provides the breakdown of future development costs deducted in the estimation of the future net revenue attributable to the proved and proved plus probable reserve categories noted below:

Year	Proved	Proved plus
	Reserves	Probable Reserves
	(\$000's)	(\$000's)
2016	10,755	19,339
2017	42,963	76,309
2018	17,457	65,198
2019	2,733	8,218
2020	2,862	5,431
Remaining	1,763	2,387
Total (Undiscounted)	78,533	176,882

#### Reserve Life Index

The Company's reserve life index ("RLI") is calculated using the Company Gross Reserves from the GLJ Report and dividing them by the projected 2016 production as estimated in the report.

	Gross	2016	RLI
Company Production			
Reserves			
Reserves category	(Mboe)	(Mboe)	(Years)
Proved, developed, producing	20,165	3,272	6.2
Proved plus probable producing	27,188	3,406	8.0
Total proved	29,077	3,424	8.5
Proved plus probable	49,842	3,803	13.1

#### Net Asset Value

The following table provides a calculation of Journey's estimated net asset value ("NAV") and net asset value per share ("NAVPS") as at December 31, 2015 based on the estimated future net revenues associated with Journey's reserves as presented in the GLJ Report.

Reserves category	NPV10 <sup>(1)</sup>	NAV <sup>(2)</sup>	NAVPS <sup>(3)</sup>
	(\$000's)	(\$000's)	(\$/share)
Proved, developed, producing	212,341	124,222	2.85
Total proved	275,622	187,503	4.30
Proved plus probable producing	287,053	198,934	4.56
Proved plus probable	485,801	397,682	9.12

## Notes:

- (1) Future net revenues as per the GLJ report on a before tax basis, discounted at 10%.
- (2) NAV is calculated by taking the discounted future net revenues and adjusting for the following:
  - a) Undeveloped land value of \$18,627 thousand as per management's estimate of value at December 31, 2015.
  - b) Net debt of \$106,746 thousand (unaudited) as at December 31, 2015.
- (3) NAVPS is calculated using the total basic shares outstanding as at December 31, 2015 of 43,615 thousand.

## 2016 GUIDANCE

The extended downturn in both oil and natural gas prices is creating a tremendous challenge for our industry. The future development capital projects in Journey's reserve evaluation generate attractive rates of return in excess of 50% using year-end consensus price forecasts. Rates of return on our inventory are similar to 2014 levels, with lower pricing being offset by lower capital costs and the ability to do more with less capital. This bodes well for Journey and for our industry. With that being said, strip prices remain below forecasted prices for the near term.

Although current commodity price levels appear to be unsustainable, and the return to higher pricing seems inevitable, Journey remains in the fortunate position of owning and operating our own destiny. We face no expiry issues since our legacy low decline pools are retained with producing wells. This allows Journey the flexibility to prioritize, maintain, or reduce current debt levels 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:

Annual average production	8,700 to 9,000 boe/d (55% liquids)
Capital program (excluding acquisitions)	\$9 million
Cash flow	\$15 - \$16 million
Year end net debt	\$100 - \$101 million
Cash flow per basic, weighted average share	\$0.34 - \$0.37

Journey's muted 2016 capital program is currently forecast to yield annual production volumes in the 8,700 to 9,000 boe/d range. The currently projected \$9 million in capital will be allocated to drilling, completing, equipping and tieing-in 3 (2.5 net) wells in Brooks and Skiff, as well as waterflood expansion projects in Matziwin, Skiff and Herronton. Journey is increasing its emphasis on waterflood expansion due to favorable response indications from its current projects. These projects require longer lead times for production response, which in turn provide time for commodity prices to stabilize. In addition, these projects will contribute to the reduction in our corporate decline rate from the current 22% to approximately 18% by 2017.

With the planned 2016 capital program, Journey is forecasting cash flow of between \$15 and \$16 million with net debt exiting the year between \$100 and \$101 million. These projections are based on the following average commodity prices and foreign exchange: WTI of US \$39/bbl; AECO gas of CDN \$2.40/mcf; and a foreign exchange rate of \$0.72 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 has over \$40 million in economic, capital ready projects that have been deferred and are readily available as soon as cash flow levels improve. Management feels it prudent to not allow the debt to increase beyond current levels, and based on the above guidance, it is currently projected to decrease year over year.

## 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](http://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.

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](http://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 potential future liability (or assets) related to the mark-to-market measurement of derivative contracts and 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 &ndash; Standards of Disclosure for Oil and Gas Activities.

## Oil and Gas Measures and Metrics

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, estimated abandonment and reclamation cost for wells with reserves attributed to them; 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.

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) Recycle ratio is calculated by taking the operating netback and dividing it by the finding and development or finding, development and acquisition costs (including changes in future development costs) per boe. The ratio gives an indication of how profitably the company is replacing its reserves. The higher the ratio the more profitably it is replacing reserves.
- 2) The Company's reserve life index ("RLI") is calculated using the Company Gross Reserves and dividing them by the projected next years' production from the independent reserve engineers year end reserve report. The RLI is used by management to assess the longevity of the reserves being added which in turn gives information about the corporate decline rates of the Company.
- 3) 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.

## 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

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

SOURCE [Journey Energy Inc.](#)

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