

CALGARY, May 8, 2017 /CNW/ - [Journey Energy Inc.](http://www.journeyenergy.ca) (JOY & TSX) ("Journey" or the "Company") is pleased to announce its financial results for the first quarter of 2017. The complete set of financial statements and management discussion and analysis for the periods ended March 31, 2017 and 2016 are posted on www.sedar.com and on the Company's website www.journeyenergy.ca.

Highlights for the first quarter and to date are as follows:

- Renewed the Company's credit facility at \$125 million, a 39% increase from the previous amount of \$90 million. Total net debt is approximately \$95 million, including bank borrowings, working capital, and \$30 million of term debt.
- Achieved a production level of 9,027 BOE/d in the first quarter, a 6% increase from the fourth quarter of 2016. Liquids (oil and natural gas liquids) production accounted for 4,263 BOE/d or 47% of total production during the quarter.
- On April 28, Journey closed a 2,000 BOE/d acquisition for \$34.7 million and the disposition of 185 BOE/d in Sylvan Lake for gross proceeds of \$5.2 million.
- After taking into account the net acquired volumes and the impact of our 2017 capital program, current production is in excess of 11,000 BOE/d. (45% liquids) This production level is toward the higher end of our targeted exit rate.
- Received a corporate average commodity price of \$32.85/BOE in the quarter, a 58% increase over the first quarter of 2016. Liquids production accounted for 76% of total sales revenues.
- Drilled 4 (3.0 net) wells, two in Skiff and two in Brooks.

	Three months ended March 31,		
Financial (\$000's except per share amounts)	2017	2016	% change
Production revenue	26,690	18,055	48
Funds flow from operations	6,754	3,329	103
Per basic share	0.15	0.08	88
Per diluted share	0.15	0.08	88
Net earnings (loss)	3,920	(5,390)	(173)
Per basic share	0.09	(0.12)	(175)
Per diluted share	0.09	(0.12)	(175)
Capital expenditures, net funds	10,415	3,719	180
Net debt	77,416	104,714	(26)
Share Capital (000's)			
Basic, weighted average	45,298	43,615	4
Basic, end of period	48,653	43,615	12
Fully diluted	54,787	49,492	11
Daily Production			
Natural gas volumes (mcf/d)	28,586	25,729	11
Crude oil (bbl/d)	3,937	4,563	(14)
Natural gas liquids (bbl/d)	326	682	(52)
Corporate (BOE/d)			

Average Prices (excl. hedging)

Natural gas (\$/mcf)	2.52	1.72	47
Crude Oil (\$/bbl)	54.27	30.91	76
Natural gas liquids (\$/bbl)	32.01	19.09	68
Corporate (\$/BOE)	32.85	20.81	58

Netbacks (\$/BOE)

Realized prices	32.85	20.81	58
Royalty expense	(3.82)	(2.57)	49
Operating expense	(13.75)	(11.69)	18
Transportation expense	(0.44)	(0.40)	10
Operating netback	14.84	6.15	141

Wells drilled

Gross	4	1	300
Net	3.0	1.0	200
Success rate (%)	100	100	

OPERATIONS

Journey achieved production of 9,027 BOE/d (47% liquids) in the first quarter, representing a 6% increase from the fourth quarter of 2016. First quarter 2017 production was positively impacted by workovers and re-activations of previously shut in wells. This impact was partially offset by delays for well services resulting in longer turnaround times for well completions. As a result, production was close to forecast with a slightly lower than forecast oil weighting. During the quarter Journey spent approximately \$1.1 million in workovers resulting in higher than budgeted operating expenses. Over \$250 thousand of this amount was spent on the Sylvan Lake property, which was sold on April 28th. A portion of these operating expenses became part of the closing adjustments to the selling price. Journey forecasts operating expenses to track between \$12 and \$13 per BOE for the remainder of 2017.

Subsequent to the end of the quarter Journey closed a strategic acquisition in its central Alberta core area, along with the divestment of our Sylvan assets. On April 28, 2017 Journey issued a press release revising its 2017 guidance to take into account its recent acquisition and divestiture activities. After giving effect to the net acquisition volumes, and with the new production additions from the 2017 organic capital program, Journey's current production of over 11,000 BOE/d is toward the high end of our 2017 exit guidance of between 10,700 and 11,100 BOE/d. Over the remainder of the year Journey forecasts maintaining current production levels and is forecasting an increase in our liquids weighting from 45% to 48% as the drilling program replaces natural declines with new volumes from oil weighted capital projects. Journey forecasts underspending its funds flow over the rest of 2017 and reducing current net debt levels by approximately \$5 million by the end of the year.

In order to ensure Journey has ample financial flexibility to continue pursuing opportunities to expand our business, we have changed the phasing of our exploration and development capital, shifting approximately \$5 million in capital projects from the second and third quarters to the fourth quarter.

FINANCIAL

Commodity prices were 58% higher in the first quarter of 2017 compared to the same quarter of 2016. The average price received of \$32.85 per BOE was relatively flat with the fourth quarter of 2016 as commodity prices stabilized. Production volumes were 6% higher from the fourth quarter as Journey initiated its 2017 capital program. Journey also acquired 100 BOE/d of production in the middle of January. The resulting funds flow was \$6.8 million for the first quarter compared to \$8.4 million in the

fourth quarter of 2016 and \$3.3 million in the first quarter of 2016. Funds flow in 2017 was negatively impacted by a series of one-time field operating expenditures totaling approximately \$1.1 million. Several workover and optimization projects were deferred in 2016 due to the very low commodity prices experienced throughout the first three quarters of the year. These projects were re-evaluated in light of price stability and completed in early 2017. The costs incurred will benefit the production and funds flow levels throughout the remainder of 2017.

The Company realized a loss on its hedging program of \$1.2 million during the quarter and this contributed to the lower funds flow as well. On the administrative side of the business, general and administrative costs were lower than 2016 levels at \$3.61 per BOE, which was a 19% decrease from \$4.45 per BOE in 2016. The Company continued rationalizing its workforce into 2017 and incurred \$310 thousand in one-time severance costs during the quarter.

On a per share basis, funds flow was \$0.15 per basic and diluted share, which was an 88% improvement over the \$0.08 per basic and diluted share in the first quarter of 2016. Journey recorded net earnings in the first quarter of \$3.9 million or \$0.09 per basic and diluted share. This was a significant improvement over the \$5.4 million loss (\$0.12 per share) realized in the first quarter of 2016.

Journey's production mix shifted somewhat with natural gas volumes increasing 17% to become 53% of total volumes. However, as a percentage of revenue, the mix did not change significantly as 76% of the revenues came from liquids production (oil and NGL's). Comparatively liquids revenues were 78% in the first quarter of 2016.

Because realized prices showed stability over the last two quarters, Journey increased its capital spending to \$10.4 million, spending \$7.6 million in exploration and development activities and \$2.8 million on net acquisition and divestitures. Journey's long term strategy is to pursue a measured combination of organic spending as well as acquisitions. Subsequent to the quarter end the Company closed the acquisition of a 2,000 BOE/d purchase in the Gilby/Niton areas. The acquisition provides long-life, stable production as well as the opportunity to control strategic infrastructure in both areas.

Journey exited the quarter with net debt of \$77.4 million which was 11% lower than what it exited 2016 with. Despite spending more capital than the funds flow, the Company was able to reduce net debt as a result of the exercise of warrants that were issued in 2016. The \$13.6 million in proceeds from the exercise went to reduce bank borrowings. In addition, Journey's liquidity was enhanced with an increase to its credit facilities as part of its annual review by the lending syndicate. As a result of a successful increase in year-end reserve values; as well as the acquisition of high quality producing assets, the Company's credit facilities were increased from \$90 million to \$125 million. The Company estimates it is currently drawn approximately \$72 million on the credit facility including the impact of the acquisition on April 28. Journey believes it has ample liquidity to execute its own drilling program as well as continue to pursue acquisition opportunities as they arise.

Outlook

Journey updated its guidance in its recent press release on April 28th 2017. Although Journey's production volume forecast remains unchanged, Journey has reduced its realized oil price outlook for 2017, resulting in a minor decrease to forecasted funds flow. Journey's updated guidance is presented in the table below:

Annual average production	10,100 – 10,500 BOE/d (46% liquids)
Exit 2017 production	10,700 – 11,100 BOE/d (48% liquids)
Exploration and development capital	\$35 million
Net acquisition capital	\$33 million
Funds flow	\$43 - \$46 million
Year-end net debt	\$92 - \$97 million
Funds flow per basic share (weighted average shares)	\$0.87 – \$0.93 share
Corporate annual decline rate	17%

Journey's 2017 forecasted funds flow from operations is based upon the following average prices: WTI of US\$50/bbl; AECO gas of CDN\$2.90/mcf; and a foreign exchange rate of \$0.75 US\$/CDN\$.

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 24, 2017 at 3:00 p.m. to be held at Journey's offices.

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 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.

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 funds flow from operations (also referred to as "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. Funds flow from operations is calculated as funds from operating activities before changes in non-funds working capital, transaction costs and decommissioning costs incurred. Funds flow from operations per share is calculated as funds flow from operations divided by the weighted-average number of shares outstanding in the period. Journey's determination of funds flow from operations may not be comparable to that reported by other companies. Journey also presents funds 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. Funds flow netback equals the operating netback less funds 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
BOE	Barrel of oil equivalent
mbbls	Thousand barrels
mmbtu	Million British thermal units
mcf	thousand cubic feet
mmcf	Million cubic feet
mmcf/d	Million cubic feet per day
mBOE	Thousand BOE
NGLs	Natural gas liquids
\$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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