

Journey Energy Inc. Reports its Third Quarter 2019 Results and Announces Start of Trading on the OTCQX Market

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CALGARY, Nov. 4, 2019 - [Journey Energy Inc.](#) (JOY ‐ TSX) ("Journey" or the "Company") announces its financial and operating results for the three and nine month periods ending September 30, 2019. The complete set of financial statements and management discussion and analysis for the periods ended September 30, 2019 and 2018 are posted on www.sedar.com and on the Company's website www.journeyenergy.ca.

THIRD QUARTER 2019 HIGHLIGHTS

- Achieved production of 9,445 boe/d in the third quarter, compared to 10,227 boe/d in the third quarter of 2018. Liquids (comprised of oil and natural gas liquids) production of 4,675 bbl/d accounted for 49% of the total boe/d production for the quarter.
- Generated \$6.0 million of funds flow in the third quarter or \$0.16 per share.
- Received a corporate average commodity price of \$30.10/boe (before hedging) in the third quarter. Liquids accounted for 92% of total revenues in the quarter.
- Journey restructured its term debt on September 30, 2019. The maturity of the debt issued in 2016 has now been extended to October 31, 2023.
- Raised \$7.3 million of equity pursuant to a non-brokered flow-through share offering at \$2.60 per share representing a 13.5% premium to the Journey share price.
- The third well on Journey's Duvernay joint venture was completed and placed on-production by Kiwetinohk Resources Corp. ("Kiwetinohk") August 27, 2019. There are now four wells producing pursuant to the joint venture.
- Commenced the fourth quarter drilling program on October 1 wherein 4 (4.0 net) wells will be drilled in Matziwin.

Third Quarter Financial & Operating Highlights

	Three months ended			Nine months ended		
	September 30,			September 30,		
Financial (\$000's except per share amounts)	%			%		
	2019	2018	change	2019	2018	change
Production revenue	26,158	34,032	(23)	82,056	94,651	(13)
Funds flow	6,020	7,890	(24)	20,900	18,335	14
Per basic share	0.16	0.20	(25)	0.53	0.46	15
Per diluted share	0.16	0.20	(25)	0.53	0.46	15
Net income (loss)	(7,055)	201	3,610	(23,701)	(21,267)	11
Per basic share	(0.18)	0.01	(1,900)	(0.60)	(0.53)	13
Per diluted share	(0.18)	0.01	(1,900)	(0.60)	(0.53)	13
Capital additions less disposal	2,427	9,647	(75)	11,200	25,519	(56)
Net debt	118,238	132,851	(11)	118,238	132,851	(11)

Share Capital (000's)

Basic, weighted average	39,276	38,546	2	39,250	40,080	(2)
Basic, end of period	42,071	38,546	9	42,071	38,546	9
Fully diluted	46,321	42,728	8	46,321	42,728	8
Daily Production						
Natural gas volumes (mcf/d)	28,621	32,070	(11)	29,038	32,112	(10)
Crude oil (bbl/d)	4,091	4,357	(6)	3,932	4,099	(4)
Natural gas liquids (bbl/d)	584	525	11	570	676	(16)
Barrels of Oil Equivalent (boe/d)	9,445	10,227	(8)	9,341	10,127	(8)
Average Realized Prices (excluding hedging)						
Natural gas (\$/mcf)	0.84	1.61	(48)	1.49	1.54	(3)
Crude Oil (\$/bbl)	60.89	68.27	(11)	61.84	65.44	(6)
Natural gas liquids (\$/bbl)	19.24	39.41	(51)	25.07	42.96	(42)
Barrels of oil equivalent (\$/boe)	30.10	36.17	(17)	32.18	34.24	(6)
Netbacks (\$/boe)						
Realized prices (excl. hedging)	30.10	36.17	(17)	32.18	34.24	(6)
Royalties	(4.06)	(4.87)	(17)	(3.93)	(4.59)	(14)
Operating expenses	(13.79)	(12.75)	8	(14.12)	(13.65)	3
Transportation expenses	(0.48)	(0.50)	(4)	(0.47)	(0.49)	(4)
Operating netback	11.77	18.05	(35)	13.66	15.51	(12)
Realized hedging loss	(0.14)	(5.21)	(97)	(0.17)	(3.97)	(96)
	11.63	12.84	(9)	13.49	11.54	17
Wells drilled						
Gross	-	3	(100)	3	9	(67)
OPERATIONS Net	-	3.0	(100)	3.0	9.0	(67)

Source: the weighted average production of 9,445 boe/d (49% liquids) during the third quarter of 2019, representing a 2% increase from the second quarter of 2019. Average daily volumes were down 8% from the previous year, however, the majority of this decrease was from natural gas volumes. Journey's primary focus over the past year has been to maintain its oil production while improving financial flexibility, and allowing third party capital to de-risk our world class Duvernay acreage.

On September 30, 2019 Journey closed a flow-through share financing for \$7.3 million. This financing will fund the majority of the currently projected development capital between October 1, 2019 and breakup in 2020. Journey began drilling a 4 (4.0 net) well program in Matziwin in mid-October. Journey is currently

drilling the fourth well of this program and anticipates beginning the completion operations in November. It is currently expected that all of these wells will be on-production by the end of the year. The four Matziwin wells follow up the three successful Matziwin wells drilled in June. These wells were placed on-production in July at rates well in excess of our type curve projections. The wells contributed to the uplift in third quarter volumes and continue to produce approximately 700 boe/d (70% oil). Two of the wells continue to flow at restricted rates with both downhole and surface chokes. The 2019 program in Matziwin resulted in reduced drilling and service costs. For the most recent three wells, Journey spent \$2.0 million to drill, complete, equip and tie-in each well versus \$2.4 million last year. The new per-well costs included increasing the proppant intensity over the completed length to 0.63 tonnes/m versus 0.44 tonnes/m in 2018. Journey forecasts similar costs for the current program.

In the first quarter of 2020, Journey has three locations scheduled for its Skiff property. This is part of our horizontal development program in south Skiff, which follows up three wells drilled in 2018. During the third quarter, the central well of the three well pattern was converted to a water injection well.

During the third quarter, Journey began work on a 4.5 megawatt power project at our Countess property. The project is utilizing equipment sourced at competitive prices and is scheduled to be on-stream in the second quarter of 2020, due in large part to the timing of receiving third party approvals. Approximately \$1.0 million of capital costs associated with this project are forecast for the second half of 2019.

Journey's third quarter operating costs were impacted by \$0.4 million due to turnaround activity. Almost all of Journey's turnaround operations for 2019 were completed by the end of the third quarter.

Journey continues to monitor the advancement and development of its emerging Duvernay resource play and continues to be encouraged by the activity from industry wells drilled on offsetting acreage, both in terms of initial production rates, and reduced drill, complete, equip and tie-in costs.

Journey issued a press release on July 16 summarizing test results for the latest Duvernay joint venture well at 100/13-02-042-04W5/00. This well has now been on-production for over two calendar months. During the first 60 producing days the well has produced approximately 30.0 mbbbl of oil; 11.2 mbbbl of water; and 60 mmscf of natural gas. The well continues to flow at highly restricted rates with flowing pressures of approximately 7,600 kPa. Despite being approximately 10 kilometers away from the initial two producing wells, this well's performance is very similar to those wells. With four Duvernay joint venture wells now on production, Journey feels that a significant portion of the 105,000 gross acre land block Journey assembled, has been de-risked and is within the sweet spot of the oil window.

The past three months have provided Journey and KRC the opportunity to monitor the performance of the joint-venture wells and the activity of offsetting acreage holders. All three wells drilled by Journey's partner have performed at or slightly above initial projections. Journey anticipates drilling activity to resume within the next three months. Pursuant to the farmout agreement, KRC is currently in the option period to complete all potential working interest earning, prior to the end of August 2020. Following this, Journey and KRC will enter into the initial two year early development phase, where up to a maximum of ten wells can be drilled each year, with Journey having the option on a well-by-well basis, to either participate as to its working interest or take a 5% GORR on 100% of the production.

With the continued volatility in commodity prices, Journey reduced its initial 2019 capital program from \$30 million to approximately \$22 million. This remains the current guidance, however, Journey now forecasts drilling a fourth Matziwin well in the fourth quarter. The costs of this well are largely offset by the delay in the power project start up, which is now expected to occur in the second quarter of 2020. Drilling in Skiff remains on track for early 2020. The second half 2019 program is heavily weighted to the fourth quarter, resulting in lower annual averages but higher exit rates. Underspending funds flow will allow Journey to preserve as much flexibility as possible for expenditures in the Duvernay into 2020.

Capital and production guidance for 2020 will be provided early in the new-year after better visibility on commodity prices and fourth quarter drilling results is achieved.

FINANCIAL

Oil prices for Journey were stable during the third quarter wherein the Company achieved a realized price of

\$60.89/bbl, which was 11% lower than the \$68.27/bbl realized in the third quarter of 2018 and 9% lower than the \$66.85 realized in the second quarter of this year. Natural gas and NGL prices continued to be weak. Journey realized \$0.84/mcf for natural gas in the third quarter which was 48% lower than the same quarter of 2018 and 25% lower than the second quarter of this year. NGL prices had the same theme as Journey realized \$19.24/bbl in the third quarter, which was 51% lower than the same quarter of 2018 and 17% lower than the second quarter of this year. As a result of the low natural gas prices, liquids (oil and NGL) revenues comprised 92% of Journey's revenues in the third quarter. Average corporate realized commodity prices of \$30.10/boe were 17% lower in the third quarter than the third quarter of 2018. Oil differentials were stable during the third quarter with light sweet differentials averaging \$4.03 USD/bbl while WCS differentials averaged \$12.26 USD/bbl. Approximately 40% of Journey's production is exposed to WCS pricing.

Funds flow during the third quarter was \$6.0 million or 24% lower than the \$7.9 million realized in the comparable quarter of 2018. For the nine months year to date, Funds Flow was \$20.9 million as compared to \$18.3 million in 2018. On a per share basis, Funds Flow was \$0.16 for the third quarter and \$0.53 for the year to date. Journey recorded a net loss of \$7.1 million, or \$0.18 per basic and diluted share in the third quarter of 2019 compared to net income of \$0.2 million (\$0.01 per basic and diluted share) in the same quarter of 2018. For the year to date, the net loss was \$23.7 million (\$0.60 per share) versus \$21.3 million (\$0.53 per share) in 2018. The largest component of the loss in 2019 was a \$10.5 million deferred income tax expense related to corporate income tax rate changes and a further valuation allowance on Journey's tax pools.

Journey did not drill any wells in the third quarter and all free cash flow was directed towards paying down debt. The Company returned to its drilling program in early October with a four well program in Matziwin.

The Company spent \$2.4 million in capital (net of dispositions) during the third quarter bringing the year to date amount to \$11.2 million. Journey limited its capital in the third quarter to two recompletions, pipeline and facility work.

Journey restructured its existing term debt on September 30 by extending the maturity of the debt issued in 2016 from 2020 to 2023. As part of the restructuring, Journey repaid \$8.0 million of term debt. In addition, Journey successfully completed a non-brokered flow through share offering for 2,790,700 shares at a price of \$2.60 per share. The issue price was a 13.5% premium to the five day volume weighted average price per share preceding the issuance. The gross proceeds from the offering of \$7.3 million will be used to help finance the fourth quarter 2019 and first quarter 2020 drilling programs. Journey exited the third quarter with net debt of \$118.2 million which was 12% lower than at December 31, 2018. The Company is currently drawn approximately \$72 million on its existing \$90 million credit facility. Journey is currently in the middle of its semi-annual review of its syndicated credit facility and this is expected to be completed by November 30.

Outlook

Journey has made some minor modifications to its annual 2019 guidance as follows:

Item	Current Guidance	Guidance August 6	Reason for change
Average annual production volumes	9,200-9,400 boe/d (48% liquids)	9,200-9,400 boe/d (48% liquids)	No change
Funds Flow	\$26-\$28 million	\$27-\$29 million	Small decrease due to price changes
Funds Flow per share	\$0.65-\$0.70	\$0.68-\$0.75	Change to Funds Flow and shares outstanding
Capital spending	\$22 million	\$23 million	No substantive change
Net debt	\$121-\$123 million	\$127-\$129 million	Lower due mainly to September equity issuance of \$7.3 million
Corporate annual decline rate	16%	16%	No change

Journey's revised 2019 forecasted funds flow is based upon the following annual, average prices: WTI of US\$57/bbl; Company differentials of \$5.50/bbl USD for oil from Edmonton light sweet prices; realized natural gas price of CDN\$1.60/mcf; and a foreign exchange rate of \$0.75 US/CDN.

Throughout the last four years Journey management has carefully navigated through periods of poorer than anticipated funds flow and we pride ourselves in patiently stewarding capital to the right opportunities at the right time to create value for our stakeholders over the longer term. 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.

OTCQX Listing

Journey also announces that today it begins trading on the OTCQX under the symbol "JRNGF." OTCQX is a top tier marketplace for over-the-counter trading of shares. To qualify for the OTCQX market, companies must meet high financial standards, follow best practice corporate governance, demonstrate compliance with the relevant U.S. securities laws, be current in their disclosure, and have a professional third-party sponsor introduction. Using the OTCQX platform, shares are traded by a network of dealers in the U.S. Over 10,000 securities trade on the OTCQX. U.S. investors can find current financial disclosure and Real-Time Level 2 quotes for the company on www.otcmarts.com. "On behalf of Journey Energy Inc, we are very happy to be joining the OTCQX Group", says Alex Verge, President and Chief Executive Officer. "We are excited to be able to provide more liquidity for our existing and new U.S. shareholders. We look forward to OTCQX facilitating the trading of our shares."

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

This press release contains forward-looking statements and forward-looking information (collectively "forward looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of our anticipated future operations, management focus, strategies, financial, operating and production results, industry conditions, commodity prices and business opportunities. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding decline rates, anticipated netbacks, drilling inventory, estimated average drill, complete and equip and tie-in costs, anticipated potential of the corporations assets including, but not limited to, capacity of infrastructure, potential reduction in operating costs, production guidance, total payout ratio, capital program and allocation thereof, future production, decline rates, funds flow, net debt, net debt to funds flow, exchange rates, reserve life, development and drilling plans, well economics, future cost reductions, potential growth, and the source of funding our capital spending. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future.

The forward-looking information is based on certain key expectations and assumptions made by our management, including expectations and assumptions concerning prevailing commodity prices and differentials, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; the ability to efficiently integrate assets and employees acquired through acquisitions, including the Acquisition, the ability to market oil and natural gas successfully and our ability to access capital. Although we believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Journey can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on our future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). These forward looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Journeys prospective results of operations, funds flow, netbacks, debt, payout ratio well economics and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about Journey's anticipated future business operations. Journey disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. 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, 2019. 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, 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 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.

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 365 is the average daily production rate of a well in its first 365 days of production expressed in boe's.
- 3) Initial production rates can vary significantly from stabilized rates. These rates should not be relied upon as an indication of future rates.

Abbreviations

bbbl	barrel
bbls	barrels
bbl/d	barrels of oil or NGL per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
gj	gigajoules
GORR	Gross over-riding royalty
kPa	Kilopascal
Mbbls	Thousand barrels
MMBtu	Million British thermal units
NGL	Natural gas liquids
Mcf	thousand cubic feet
Mmscf	Million standard cubic feet
Mmscf/d	Million standard cubic feet per day
Mboe	Thousand boe
\$M	Thousands of dollars
OOIP	Original oil in place

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

SOURCE [Journey Energy Inc.](#)

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