



JOURNEY ENERGY INC. REPORTS ITS 2017 FINANCIAL RESULTS

CALGARY, March 13, 2018 /CNW/ - Journey Energy Inc. (JOY – TSX) (“**Journey**” or the “**Company**”) is pleased to announce its financial results for 2017. The complete set of financial statements and management discussion and analysis for the year ended December 31, 2017 are posted on www.sedar.com and on the Company’s website www.journeyenergy.ca.

Highlights for the fourth quarter of 2017 were:

- Realized funds flow of \$9.8 million in the fourth quarter, an 18% increase over the \$8.4 million in 2016. Both quarters generated \$0.19 per basic share. Funds flow for 2017 was \$31.1 million, an increase of 13% over 2016.
- Achieved average production of 10,521 boe/d in the fourth quarter bringing the annual average for the year to 9,962 boe/d. These production levels were increases of 24% and 14% respectively from 2016 production.
- Received a corporate average commodity price of \$31.94/boe (including hedging gains), an 8% decrease from the fourth quarter of 2016. Liquids production accounted for 83% of total sales revenues as compared to 73% in 2016.
- Drilled 2 (2.0 net) wells in the fourth quarter bringing the year to date drilling activity to 12 (11.5 net) wells.
- Repurchased 1.3 million outstanding shares under Journey’s normal course issuer bid at a price of \$1.70 per share. Re-issued 1.05 million shares from treasury on a Canadian Development Expense flow through basis at a price of \$2.20 per share.

Highlights subsequent to the 2017 year-end were:

- Repurchased for cancellation 12.7 million shares of Journey from a major shareholder, for \$21.37 million, reducing the current share count to 38.5 million basic shares from 51.2 million basic shares at the end of 2017. Entered into a new term facility with AIMCo for \$22 million to finance the share purchase.
- Entered into three strategic undeveloped land acquisition agreements increasing Journey’s Duvernay undeveloped land position in the Western Shale Basin to 103 sections (100% working interest). The lands are a large contiguous block, located in the oil window of the emerging Duvernay fairway, and sets up well for the drilling of 2 mile horizontal wells. Efforts to design and implement a comprehensive plan to evaluate the potential of this resource are currently ongoing.
- Entered into definitive agreements or closed \$3.9MM in non-core asset dispositions with associated production of 150 boe/d (35% liquids).
- Initiated our 2018 capital program with two successful wells in our Matziwin core area. Both wells are forecast to exceed expectations based upon test data.

Financial (\$000's except per share amounts)	Three Months ended December 31,			Twelve months ended December 31,		
	2017	2016	% change	2017	2016	% change
Production revenue	30,311	26,181	16	110,085	87,239	26
Funds flow	9,829	8,354	18	31,126	27,472	13
Per basic share	0.19	0.19	-	0.63	0.63	-
Per diluted share	0.19	0.19	-	0.62	0.63	(2)
Net income (loss)	(138,841)	49,314	(382)	(133,021)	52,593	(348)
Per basic share	(2.72)	1.13	(341)	(2.69)	1.21	(322)
Per diluted share	(2.72)	1.13	(341)	(2.69)	1.21	(322)
Net capital expenditures, cash	11,328	9,708	17	65,628	6,962	843
Net debt	103,021	86,916	19	103,021	86,916	19

Share Capital (000's)

Basic, weighted average	51,106	43,680	17	49,390	43,632	13
Basic, end of period	51,241	43,703	17	51,241	43,703	17
Fully diluted	58,371	50,085	17	58,371	50,085	17

Daily Production

Natural gas volumes (mcf/d)	34,349	26,212	31	32,413	24,547	32
Crude oil (bbl/d)	3,971	3,786	5	3,914	4,110	(5)
Natural gas liquids (bbl/d)	825	351	135	646	511	26
Barrels of oil equivalent (boe/d)	10,521	8,505	24	9,962	8,712	14

Average Prices (including hedging)

Natural gas (\$/mcf)	2.32	2.95	(21)	2.40	2.07	16
Crude Oil (\$/bbl)	55.85	49.32	13	52.49	45.64	15
Natural gas liquids (\$/bbl)	41.83	31.35	33	34.54	23.75	45
Corporate (\$/boe)	31.94	34.59	(8)	30.67	25.75	18

Netbacks (\$/boe)

Realized prices (including hedging)	31.94	34.59	(8)	30.67	25.75	18
Royalties	(4.48)	(4.16)	8	(3.87)	(3.11)	24
Operating expenses	(12.49)	(12.25)	2	(13.41)	(11.64)	15
Transportation expense	(0.34)	(0.45)	(24)	(0.43)	(0.40)	7
Operating netback	14.63	17.73	(17)	12.96	10.80	20

Wells drilled

Gross	2	5	(60)	12	7	71
Net	2.0	4.1	(51)	11.5	6.1	89
Success rate (%)	100	100	-	83	100	(17)

OPERATIONS

Journey achieved production of 10,521 boe/d (46% liquids) in the fourth quarter, representing a 4% increase from third quarter levels and 24% from the fourth quarter of 2016. During 2017, Journey participated in 12 (11.5 net) wells as compared to 7 (6.1 net) wells in 2016. The increase in drilling activity was reflective of the better commodity prices received in 2017, and particularly the first half of the year. Approximately 30% of Journey's 2017 exploration and development capital was spent in the fourth quarter including the drilling of 2 (2.0 net) wells and completing three wells drilled in the third quarter. Both wells drilled in the fourth quarter were placed on production in early December and had minimal impact on the quarterly production.

Approximately 50% of Journey's total capital expenditures in 2017 were associated with an acquisition of 2,000 boe/d acquired of low decline, natural gas weighted (72%) production, primarily in the Gilby area in our Central Alberta Core Region. Although the acquisition was closed in April, Journey's optimization efforts have maintained corporate production throughout the balance of 2017 while spending less than cash flow on its remaining capital program. The strategic infrastructure associated with the acquisition will service the recently acquired Duvernay lands and will therefore compliment Journey's efforts to develop this significant resource.

Operating expenses were \$13.41 per boe for the year. These expenses were impacted by one-time costs associated with two pipeline failures earlier in the year resulting in a non-recurring cost of approximately \$1.2 million. In addition to the costs associated with the pipeline failures, and in an effort to satisfy all of our stakeholders in the integrity of our infrastructure, Journey proactively implemented a Company-wide enhanced pipeline integrity program at a cost of \$2.6 million. This program included line inspections, line replacements, liner installations, construction of single well batteries, and a comprehensive review of both inhibition programs and procedures. These costs were an investment into our future, and now that expenses are limited to ongoing baseline maintenance and monitoring, Journey forecasts more representative operating costs of approximately \$12.50 per boe in 2018.

FINANCIAL

Journey realized funds flow of \$9.8 million in the fourth quarter of 2017 compared to \$8.4 million in the same quarter last year. This brought the total 2017 funds flow to \$31.1 million as compared to \$27.5 million in 2016. Funds flow per share was \$0.19 (basic and diluted) in the fourth quarter and for the year was \$0.63 per basic share and \$0.62 per diluted share. Average commodity prices were relatively flat quarter to quarter but for the year to date were 7% higher.

Journey realized a net loss of \$138.8 million or \$2.72 per basic and diluted share in the fourth quarter. For 2017 the entire years' net loss was \$133.0 million or \$2.69 per basic and diluted share. The most significant items contributing to the net loss were net asset impairments of \$39.6 million and also a \$104.1 million de-recognition of Journey's deferred tax asset. Both of these write-downs were directly attributable to the combination of the decline in forward looking natural gas prices used in the independent reserve evaluators report, as well as Journey's shift in production and reserves to a more natural gas weighted mix.

Journey's production mix moved to a natural gas weighting of 54% in 2017 as compared to 47% for 2016. The increase in natural gas weighting was the result of the 2,000 boe/d acquisition in April which was 72% natural gas, as well as the disposition of 185 boe/d (80% oil and NGL) Sylvan Lake, Alberta assets in April. Journey realized natural gas prices went from the mid-\$2/mcf range in the first quarter to \$2.70/mcf in the second quarter and then dropping to \$1.32/mcf in the third quarter while advancing slightly to \$1.49/mcf in the fourth quarter. Even though prices were persistently low over the last half of the year, natural gas revenues accounted for only 22% of corporate revenues for the entire year.

Commensurate with increasing oil and NGL prices in the fourth quarter of 2017, royalty costs were up 33% in the fourth quarter to average \$4.48/boe as compared to \$4.16/boe in the same quarter of 2016. The average royalty rate (as a percentage of revenue) was up 15% to 14.3% in the fourth quarter of 2017 compared to 12.4% in 2016. Given currently anticipated pricing levels for 2018 Journey is expecting a royalty rate of approximately 13%. Operating costs were higher in 2017 by 15% to average \$13.41/boe. As mentioned, non-recurring operating expenses of approximately \$1/boe are currently expected to bring the 2018 operating expenses down to the mid-\$12 range. General and administrative costs were an improvement in 2017 at \$10.3 million as compared to \$11.0 million in 2016. The cost savings from a reduced staff count coming into 2017 was the prime driver behind the reduction. These lower aggregate costs, coupled with the increased production, resulted in a 15% improvement in the per boe rate to \$2.84 in 2017 from \$3.46 in 2016. Interest costs were 15% higher in 2017 at \$5.7 million compared to \$4.9 million in 2016. Even though average outstanding borrowings were consistent year over year, 2017 was the first full year of the higher cost term debt which carried an interest rate of 7.65% per annum. The interest cost on a per boe basis was flat at \$1.55 as compared to \$1.54 in 2016 as production levels had increased.

Commodity prices continued to have a significant impact on capital spending within our industry in 2017. AECO spot natural gas prices sunk to a low of \$0.87/mcf in October before showing some recovery to \$1.98 by year end. The average Journey realized natural gas price for all of 2017 was \$2.32/mcf including the effects of the Company's hedging program. WTI oil prices stayed around the low \$50 USD range in the early part of the year until they sunk to \$45.20 in June. They then started a march upward to a high for the year of \$57.95 in December. The low prices realized throughout the first portion of the year created significant uncertainty, and adversely affected Journey's early capital spending plans. However, the Company took these challenges in stride and capitalized on the opportunities that materialized, which included the significant acquisition in April.

Journey spent \$65.6 million in its capital program for the year, which was split almost equally between organic capital projects and acquisitions/divestitures. The most significant single expenditure was the Gilby/Niton acquisition in April amounting to \$34.9 million after final adjustments. On March 2, 2017 AIMCo exercised the warrants they received in the 2016 term debt placement with the resultant \$13.6 million in proceeds going to partially finance the acquisition.

Attributable to the low trading prices experienced for Journey shares, Journey repurchased 1.3 million of its outstanding shares under its normal course issuer bid at a cost of \$2.2 million or \$1.70 per share during 2017. In October, Journey issued 1.02 million flow-through shares at a price of \$2.20 per share.

In the spring of 2017 and taking into account the recently closed acquisition, Journey renewed its credit facility at \$125 million, which was an increase from \$90 million. The bank facility is currently undergoing its annual review and Journey expects this review will be completed by the end of April.

Subsequent to the year-end, Journey purchased 12.7 million shares from our major shareholder for cancelation. The transaction was financed through a term loan with AIMCo for \$22 million thereby increasing net debt. The Company also re-allocated a portion of its 2018 capital budget to two strategic Duvernay land acquisitions. Although Journey improved its value on a per share basis, the increased leverage associated with the land and share purchases has resulted in Journey taking a measured approach to our 2018 capital program in an effort to reduce debt levels by the end of the year.

2018 GUIDANCE

Journey's 2018 guidance, as previously announced, is as follows:

	Current
Annual average production	10,100-10,500boe/d (47% liquids)
Exploration and development capital	\$31 million
Wells drilled	9 (9.0 net)
Net disposition capital	\$4 million
Funds flow	\$36 - \$40 million
Commodity prices:	
WTI (USD/bbl)	\$60.00
AECO (CDN/mcf)	\$1.55
F/X (US\$/CDN\$)	\$0.80
Year-end net debt	\$110 - \$114 million
Basic outstanding shares	38.5 million
Funds flow (per basic share)	\$0.93 – \$1.04
Corporate annual decline rate	16%

In order to provide certainty of near term cash flow while leverage level are elevated, Journey has taken a more aggressive approach to hedging our near term oil production;

A summary of the outstanding hedges is as follows:

Oil Hedges		
Period	Bbls/d	Average Floor Price CDN \$ per bbl
Q1 2018	3,500	\$68.64
Q2 2018	3,000	\$71.50
Q3 2018	3,000	\$71.50
Q4 2018	3,000	\$70.75
Q1 2019	1,500	\$72.00
Q2 2019	1,000	\$71.50

Natural Gas Hedges		
Period	Mcf/d	Average Floor Price CDN \$ per MCF
Q1 2018	12,796	\$3.07
Q2 2018	3,318	\$2.62
Q3 2018	3,318	\$2.61
Q4 2018	3,318	\$2.77

For 2018 Journey has approximately 62% of its currently forecast liquid (oil and NGL's) volumes hedged while 17% of its natural gas volumes are hedged.

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.

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FORWARD LOOKING STATEMENTS AND OTHER 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 Assets including, but not limited to, EOR performance and opportunities, 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 securityholders 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 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, 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.*

Abbreviations

<i>bbl</i>	<i>barrel</i>
<i>bbls</i>	<i>barrels</i>
<i>boe</i>	<i>barrels of oil equivalent</i>
<i>boe/d</i>	<i>barrels of oil equivalent per day</i>
<i>gj</i>	<i>gigajoules</i>
<i>Mbbls</i>	<i>Thousand barrels</i>
<i>MMBtu</i>	<i>Million British thermal units</i>
<i>NGL</i>	<i>Natural gas liquids</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mmcf</i>	<i>Million cubic feet</i>
<i>Mmcf/d</i>	<i>Million cubic feet per day</i>
<i>Mboe</i>	<i>Thousand boe</i>
<i>\$M</i>	<i>Thousands of dollars</i>

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