JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Financial Position *(unaudited)*

(in thousands of Canadian dollars)

	Note	**March 31, 2019**	December 31, 2018
ASSETS			
CURRENT			
Cash		**4,790**	-
Accounts receivable		**15,348**	9,220
Prepaid expenses and deposits		**2,206**	1,858
Derivative contracts	16(b)	**63**	1,229
Total current assets		**22,407**	12,307
Property, plant and equipment	4	**362,608**	341,808
Exploration and evaluation assets	5	**11,804**	13,410
Deferred tax asset		**13,199**	13,199
Total assets		**410,018**	380,724
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**21,613**	16,878
Bank indebtedness	6	**-**	1,009
Deferred lease obligation		**-**	62
Derivative contracts	16(b)	**151**	-
Lease obligations	9	**1,226**	-
Decommissioning liabilities	8	**3,222**	2,945
Total current liabilities		**26,212**	20,894
Bank debt	6	**76,490**	75,458
Promissory notes	7	**49,656**	49,436
Deferred lease obligation		**-**	264
Lease obligations	9	**5,392**	-
Decommissioning liabilities	8	**199,742**	178,904
Total liabilities		**357,492**	324,956
EQUITY			
Share capital	10	**291,982**	291,964
Contributed Surplus		**108,669**	107,842
Warrants	11	**1,702**	1,702
Deficit		**(349,827)**	(345,740)
Total equity		**52,526**	55,768
Total liabilities and equity		**410,018**	380,724
Commitments	18		

See accompanying notes.

APPROVED BY THE BOARD

"Signed" **Glenn A. Hamilton, Director**

"Signed" **Alex G. Verge, Director**

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Loss

For the three months ended March 31, 2019 and 2018

(unaudited) (in thousands of Canadian dollars, except per share data)

	Note	Three months ended March 31, **2019**	2018
REVENUE			
Petroleum and natural gas sales	17(c)	**28,498**	28,934
Processing and other income		**658**	976
Royalties		**(3,266)**	(3,983)
Loss on derivative contracts	16(b)	**(1,597)**	(8,188)
Net Revenue		**24,293**	17,739
EXPENSES			
Operating		**12,485**	13,800
Transportation		**412**	363
General and administrative		**2,225**	2,606
Share based compensation	12	**820**	568
Exploration and evaluation	5	**386**	122
Gain on disposal of assets		**-**	(1,827)
Depletion and depreciation	4	**8,458**	8,174
Transaction costs		**7**	37
Finance expense	13	**3,587**	3,040
Total expenses		**28,380**	26,883
NET LOSS BEFORE TAXES		**(4,087)**	(9,144)
Deferred income taxes	14	**-**	-
NET LOSS AND COMPREHENSIVE LOSS		**(4,087)**	(9,144)
NET LOSS PER SHARE	15		
Basic		**(0.10)**	(0.21)
Diluted		**(0.10)**	(0.21)

See accompanying notes.

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Changes in Equity *(unaudited)*

(in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2019		291,964	107,842	1,702	(345,740)	55,768
Comprehensive loss		-	-	-	(4,087)	(4,087)
Share based compensation	12	-	859	-	-	859
Settlement of restricted share units	10	18	(32)	-	-	(14)
Balance, March 31, 2019		**291,982**	**108,669**	**1,702**	**(349,827)**	**52,526**

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2018	386,017	32,301	-	(308,293)	110,025
Comprehensive loss	-	-	-	(9,144)	(9,144)
Normal course issuer bid	(95,674)	74,338	-	-	(21,336)
Warrants issued	-	-	1,702	-	1,702
Share based compensation	-	660	-	-	660
Settlement of restricted share units	24	(30)	-	-	(6)
Balance, March 31, 2018	290,367	107,269	1,702	(317,437)	81,901

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Cash Flows *(unaudited)*

For the three months ended March 31, 2019 and 2018

(in thousands of Canadian dollars)

	Note	Three months ended March 31, **2019**	2018
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:			
OPERATING			
Net loss		**(4,087)**	(9,144)
Adjustments for:			
Unrealized loss on derivative contracts	16(b)	**1,317**	6,083
Share based compensation	12	**820**	568
Depletion and depreciation	4	**8,458**	8,174
Gain on disposal of assets		**-**	(1,827)
Accretion of decommissioning liabilities	8	**912**	961
Accretion of promissory notes	7	**210**	166
Accretion on lease obligations	13	**94**	-
Exploration and evaluation expense	5	**386**	122
Decommissioning costs incurred	8	**(226)**	(614)
Changes in non-cash working capital	17(a)	**(1,571)**	4,907
Cash flow provided by operating activities		**6,313**	9,396
FINANCING			
Changes in bank debt	6	**(9)**	(3,000)
Proceeds from issuance of promissory notes	7	**-**	22,000
Settlement of restricted share units		**(15)**	(6)
Share repurchase	10(i)	**-**	(21,336)
Payments on lease obligations	9	**(395)**	-
Changes in non-cash working capital	17(a)	**41**	32
Cash flow used in financing activities		**(378)**	(2,310)
INVESTING			
Additions to property, plant and equipment	4	**(678)**	(7,846)
Additions to exploration and evaluation assets	5	**(47)**	(485)
Additions to administrative assets	4	**(4)**	(22)
Acquisition of property, plant and equipment and exploration and evaluation assets		**(231)**	(2,148)
Disposition of property, plant and equipment and exploration and evaluation assets		**-**	2,128
Changes in non-cash working capital	17(a)	**(185)**	(2,200)
Cash flow used in investing activities		**(1,145)**	(10,573)
NET INCREASE (DECREASE) TO CASH		**4,790**	(3,487)
CASH, BEGINNING OF PERIOD		**-**	8,227
CASH, END OF PERIOD		**4,790**	4,740
Supplementary cash flow information	17 (b)		

See accompanying notes.

1. INCORPORATION AND NATURE OF BUSINESS

Journey Energy Inc. ("Journey" or "the Company"), is a publicly traded company engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta, Canada. Journey shares trade on the Toronto Stock Exchange.

These condensed consolidated interim financial statements present the results of operations for the Journey group of entities.

The registered address of Journey is 4300, 888 3rd Street SW Calgary, Alberta, Canada and the corporate head office is located at 700, 517 - 10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, the "Financial Statements", including prior year comparative information, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These Financial Statements have been prepared following the same accounting policies and method of computation as the audited annual consolidated financial statements for the year ended December 31, 2018, except as noted and disclosed in Note 3. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended March 31, 2019 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on May 7, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards adopted in 2019 – IFRS 16 "Leases"

On January 1, 2019, Journey adopted IFRS 16 and selected the modified retrospective approach. We also elected to exempt short-term leases and leases of low value assets. We conducted an examination of our lease contracts that are significant in nature and therefore not exempt.

On adoption, the Company recognized lease obligation liabilities, in relation to leases under principles of the new standard measured at their present value of the remaining lease payments discounted using the Company's incremental borrowing rate as of January 1, 2019 of approximately 5.5%. At adoption Journey also recognized an equivalent amount of Right of Use ("ROU") assets that are included in property, plant and equipment. The ROU assets and lease obligations recognized are primarily related to the Journey's head office lease. In addition, as required under IFRS 16, upon adoption the deferred lease obligation of $326 was offset against the right of use asset. The initial lease obligation recognized was $6,919, of which $1,219 current. The ROU asset is included in property plant and equipment and depreciated over the remaining life of the leases.

4. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Right of use assets	Administrative	Total
Balance, January 1, 2018	1,236,982		4,291	1,241,273
Additions	26,034	-	37	26,071
Acquisition of property, plant and equipment	452	-	-	452
Changes in decommissioning obligations	5,492	-	-	5,492
Capitalized share-based compensation	409	-	-	409
Dispositions of property, plant and equipment	(6,368)	-	-	(6,368)
Transfer from exploration and evaluation assets	313	-	-	313
Balance, December 31, 2018	1,263,314	-	4,328	1,267,642
Additions, net of deferred lease obligations	679	6,609	4	7,292
Acquisition of property, plant and equipment	55	-	-	55
Changes in decommissioning obligations	20,429	-	-	20,429
Capitalized share-based compensation	39	-	-	39
Transfer from exploration and evaluation assets	1,443	-	-	1,443
Balance, March 31, 2019	**1,285,959**	**6,609**	**4,332**	**1,296,900**

	Petroleum and natural gas properties	Right of use assets	Administrative	Total
Accumulated depletion, depreciation and impairment losses				
Balance, January 1, 2018	(891,865)	-	(3,926)	(895,791)
Provision for the year	(33,076)	-	(117)	(33,193)
Disposals	3,150	-	-	3,150
Balance, December 31, 2018	(921,791)	-	(4,043)	(925,834)
Provision for the period	(8,090)	(344)	(24)	(8,458)
Balance, March 31, 2019	**(929,881)**	**(344)**	**(4,067)**	**(934,292)**

	Petroleum and natural gas properties	Right of use assets	Administrative	Total
Carrying Amounts, as at				
December 31, 2018	341,523	-	285	341,808
March 31, 2019	**356,078**	**6,265**	**265**	**362,608**

Future development costs on proved plus probable undeveloped reserves of $204,249 (December 31, 2018 - $206,913) were included in the depletion calculation. During the period ended March 31, 2019, the Company capitalized $118 (December 31, 2018 - $1,271) for salaries, wages and benefits, and $39 (December 31, 2018 – $409) of share based compensation that was directly related to development drilling activities.

5. EXPLORATION AND EVALUATION ASSETS

Balance, January 1, 2018	11,333
Additions	2,146
Acquisitions	3,659
Disposals	(172)
Transfer to expense	(75)
Lease expiries	(1,982)
Transfer to property, plant and equipment	(313)
Impairment	(1,186)
Balance, December 31, 2018	13,410
Additions	47
Acquisitions	176
Transfer to property, plant and equipment	(1,443)
Lease expiries	(386)
Balance, March 31, 2019	**11,804**

6. BANK DEBT

Journey currently has a credit facility of $100,000 with a syndicate of banks (December 31, 2018 - $100,000) of which $76,500 was drawn at March 31, 2019 (December 31, 2018 - $75,000). The facility is comprised of a revolving facility of $85,000 and a working capital facility of $15,000. The revolving and working capital facilities are available to Journey until their renewal date. As part of the normal renewal process Journey requests, on an annual basis, that the lenders extend the renewal for an additional one year. Should the credit facilities not be extended at their normal renewal date, amounts outstanding under the facility would become due one year from that renewal date. The most recent renewal was scheduled to occur on April 30, 2019. In order to facilitate the review of all data provided by the Company and to finalize discussions between themselves, the parties agreed to extend the current renewal date until May 31, 2019.

Advances under the facilities are available by way of prime rate loans with interest rates between 1.0 percent and 4.5 percent above the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent depending on the debt to cash flow ratio as calculated as of the Company's immediately preceding quarter end. In addition, standby fees on the undrawn facilities are charged at rates ranging from 0.5 percent to 1.375 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility for the period ended March 31, 2019 was 7.4% (March 31, 2018 – 6.3%). At March 31, 2019 the Company had an outstanding letter of credit in the amount of $75 that expires June 30, 2019.

The credit facilities are secured by a $500,000 fixed and floating charge debenture over all assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base based on changes to reserves and/or forecast prices. There are certain standard non-financial covenants in the credit facility agreement. Journey is in compliance with all of these covenants.

	March 31, 2019	December 31, 2018
Bank indebtedness	**-**	1,009
Revolving credit facility	**76,500**	75,500
Deferred financing fees	**(10)**	(42)
Balance, at end of period	**76,490**	76,467

7. PROMISSORY NOTES

Promissory Notes (A) January 1, 2018	28,398
Accretion expense	492
Amortized deferred issuance expenses	25
Promissory Notes (A) December 31, 2018	28,915
Accretion expense	130
Amortized deferred issuance expenses	6
Promissory Notes (A) March 31, 2019	**29,051**

Promissory Notes were issued pursuant to a private placement on October 6, 2016 ("Promissory Notes (A)") and bear interest at 7.65% per annum with interest payable semi-annually. The promissory notes mature on October 31, 2020.

Principal amount of Promissory Notes (B)	22,000
Less: value allocated to Warrants	(1,702)
Fair value at date of issue on February 1, 2018	20,298
Accretion expense	277
Unamortized deferred issuance expenses	(54)
Promissory Notes (B) December 31, 2018	20,521
Accretion expense	80
Amortized deferred issuance expenses	4
Promissory Notes (B) March 31, 2019	**20,605**

On February 1, 2018 Journey entered into a private placement of promissory notes ("Promissory Notes (B)") and bear interest at 7.65% per annum with interest payable semi-annually. The promissory notes mature on September 30, 2022.

8. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the ownership interests Journey has in petroleum and natural gas assets, which include: well sites, gathering systems, natural gas processing facilities and oil batteries. The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning liabilities at March 31, 2019 to be $190,970 (December 31, 2018 - $190,065) the majority of which, will be incurred at various times between 2020 and 2070. The present value of the decommissioning liabilities for the period ended March 31, 2019 was calculated using a risk free rate of 1.8% (December 31, 2018 – 2.1%) and an inflation factor of 2.0% (December 31, 2018 – 2.0%). As at March 31, 2019, no funds have been specifically set aside to settle these obligations, rather the decommissioning obligations will be funded from cash flows from operations.

Changes to decommissioning liabilities during the three and twelve month periods below were as follows:

	March 31, 2019	December 31, 2018
Balance, at beginning of period	**181,849**	175,495
Liabilities acquired	**-**	292
Revaluation of liabilities acquired[(1)]	**-**	506
Liabilities disposed	**-**	(2,061)
Incurred on development activities	**-**	926
Liabilities settled	**(226)**	(1,288)
Revisions to estimates	**997**	2,167
Changes in discount rate	**19,432**	1,893
Accretion	**912**	3,919
Balance, at end of period	**202,964**	181,849

(1) At the date of acquisition the decommissioning liabilities acquired were fair valued using a credit adjusted risk free rate. Immediately after the acquisition the liability was revalued using a risk-free discount rate.

9. LEASE OBLIGATIONS

	Current	Long-term	Total
Leases, January 1, 2019	1,218	5,701	6,919
Lease payments	-	(395)	(395)
Accretion	8	86	94
Present value of lease payments March 31, 2019	**1,226**	**5,392**	**6,618**

For the period ended March 31, 2019 Journey recognized cash outflows of $395 relating to leases, accretion expense of $94 and a reduction to the present value of the lease obligations of $301. The undiscounted lease liability at March 31, 2019 is $7,457. The Company used an incremental cost of borrowing rate of 5.5% to discount the lease liabilities.

10. SHARE CAPITAL

The outstanding shares of the Company at each respective period end are as follows:

COMMON SHARES	**Number**	**$**
Balance, January 1, 2018	51,240	386,017
Share repurchase	(12,700)	(95,674)
Issued on exercise of stock option	7	17
Issued on settlement of PSU's and RSU's	671	1,604
Balance, December 31, 2018	39,218	291,964
Issued on settlement of PSU's and RSU's	10	18
Balance, March 31, 2019	**39,228**	**291,982**

11. WARRANTS

	Number	**$**
Balance, January 1, 2018	-	-
Issued in private placement (note 7)	2,310	1,702
Balance, December 31, 2018 and March 31, 2019	**2,310**	**1,702**

The warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of $2.51 per warrant. The warrants expire on June 1, 2020.

12. SHARE BASED COMPENSATION

a) Restricted Share Units ("RSU's") and Performance Share Units ("PSU's")

During the three month period ended March 31, 2019 $815 (2018 – $548) was charged to share based compensation expense for RSU's and PSU's issued.

The following table summarizes the RSU's and PSU's outstanding:

	RSU's	PSU's
Balance at January 1, 2018	2,094	729
Granted	799	359
Exercised	(526)	(171)
Forfeited	(89)	(23)
Balance at December 31, 2018	2,278	894
Exercised	(8)	(5)
Balance at March 31, 2019	**2,270**	**889**

b) Stock option plan

All stock options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant date. The following stock options were outstanding at the end of the respective periods:

	Stock options	**Weighted average exercise price $**	**Number of options exercisable**
Balance, January 1, 2018	2,693	4.39	1,693
Expired	(852)	6.31	(852)
Surrendered	(412)	5.26	(412)
Forfeited	(115)	3.70	(74)
Exercised	(7)	1.73	(7)
Balance at December 31, 2018	1,307	2.93	891
Expired	(98)	10.93	(98)
Balance at March 31, 2019	**1,209**	**2.25**	**814**

During the three month period ended March 31, 2019, $44 (March 31, 2018 - $112) was recorded as share based compensation expense related to the stock options previously issued.

During the three months ended March 31, 2019 $39 (March 31, 2018 - $92) of total share-based compensation expense was capitalized with respect to long-term incentives issued to technical personnel.

	Three months ended March 31, 2019	2018
Stock options expense	**44**	112
PSU's and RSU's expense	**815**	548
Total share based compensation	**859**	660
Less: capitalized portion	**(39)**	(92)
Net share based compensation expense	**820**	568

13. FINANCE EXPENSE

	Three months ended March 31, 2019	2018
Interest and bank charges	**2,371**	1,913
Accretion on lease obligations	**94**	-
Accretion of decommissioning liabilities	**912**	961
Accretion of promissory notes	**210**	166
Total finance expense	**3,587**	3,040

14. DEFERRED INCOME TAXES

The provision for deferred income tax reflects an effective rate which differs from the expected statutory federal and provincial tax rates. Differences between the statutory and effective rates for the periods ended March 31, 2019 and 2018 are accounted for as follows:

	Three months ended March 31, 2019	2018
Net loss before taxes	**(4,087)**	(9,144)
Expected income taxes, at the statutory rate of 27.0% (2017 – 27.0%)	**(1,103)**	(2,469)
Tax effect of non-deductible and non-taxable amounts related to:		
Share based compensation expense	**229**	160
Non-deductible items	**57**	48
Deferred tax asset not recognized	**817**	2,261
Deferred income tax expense	**-**	-

As at March 31, 2019 it was determined by Management that it was more likely than not, that all of the deferred tax asset created in 2019, would not be recognized.

15. PER SHARE AMOUNTS

The following table summarizes the weighted average common shares used in calculating per share amounts:

	Three months ended March 31, 2019	2018
Net loss	**(4,087)**	(9,144)
Weighted average shares outstanding - basic	**39,226**	43,199
Weighted average shares outstanding - diluted	**39,226**	43,199
Net loss per share – basic	**$ (0.10)**	$ (0.21)
Net loss per share – diluted	**$ (0.10)**	$ (0.21)

The net loss per basic share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the respective periods. All potentially dilutive instruments are excluded from diluted earnings per share as the Company reported a net loss for the periods presented.

16. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

	March 31, 2019		December 31, 2018	
Classification and measurement	**Carrying value**	**Estimated fair value**	Carrying value	Estimated fair value
Amortized cost				
Cash	**4,790**	**4,790**	-	-
Accounts receivable	**15,348**	**15,348**	9,220	9,220
Accounts payable and accrued liabilities	**(21,613)**	**(21,613)**	(16,878)	(16,878)
Promissory notes	**(49,656)**	**(52,000)**	(49,436)	(52,000)
Bank debt and bank indebtedness – principal	**(76,500)**	**(76,500)**	(76,509)	(76,509)
Fair value through profit or loss				
Derivative contracts – current asset	**63**	**63**	1,229	1,229
Derivative contracts – current liability	**(151)**	**(151)**	-	-

The fair value of bank debt and promissory notes are based upon level 2 inputs. The fair value of these items approximates the carrying values as they bear interest at a rate that approximates a market rate of interest given their term and security held. The fair value of Journey's commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data.

(b) Derivative contracts

Journey has the following financial derivative transactions outstanding at March 31, 2019.

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term	Fair value
Swap	500	WCS CDN	$64.00CDN	April 1, 2019 to June 30, 2019	(151)
Call	1,500	WTI NYMEX	$73.00USD	January 1, 2019 to June 30, 2020	7
Collar	500	WTI NYMEX	$77.00-$84.15CDN	July 1, 2019 to December 31, 2019	56
Total oil derivative contracts fair value					**(88)**

A 10% change in the respective commodity prices would have impacted the pre-tax net income (loss) by the following amounts as at March 31, 2019:

Commodity	10% increase	10% decrease
Oil	(372)	348
Total	**(372)**	**348**

The loss on derivative contracts for the periods ended March 31, 2019 and 2018 was as follows:

	Three months ended March 31,	
	2019	2018
Realized	**280**	2,105
Unrealized	**1,317**	6,083
	1,597	8,188

(c) Risks

(i) Credit risk

A substantial portion of Journey's accounts receivable is with petroleum marketing entities. Receivables from these marketers are normally collected on the 25th day of the month following calendar month in which production has occurred. Journey has not experienced any material collection issues with its petroleum and natural gas marketers. Journey generally extends unsecured credit to these companies; therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and may accordingly impact Journey's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which it extends credit.

Journey is exposed to losses in the event of non-performance by counterparties to financial risk management contracts. Journey minimizes credit risk associated with possible non-performance of these financial instruments by entering into contracts with only investment grade counterparties, limiting exposure to any one counterparty and monitoring procedures around extending credit. Journey is managing this risk within its credit limit guidelines and procedures. While Management believes Journey's credit limit guidelines and procedures are sufficient to address credit risk, they are still subject to the volatility of the general financial credit environment. Journey's maximum credit risk relates to:

	2019	2018
Cash	**4,790**	-
Accounts receivable	**15,348**	9,220
Derivative contracts	**63**	1,229
Total	**20,201**	10,449

For the period ended March 31, 2019, Journey determined that $530 (2018 - $525) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At March 31, 2019 Journey assessed its provision for uncollectable accounts and increased it to $618 (2018 - $606). Accounts receivable balances outstanding greater than ninety days at March 31, 2019 were $1,570 (2018 – $1,216).

(ii) Interest rate risk

Borrowings under bank credit facilities are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. A 1% change in interest rates, using outstanding bank borrowings at March 31, 2019 would result in a $717 change to annual pre-tax net income (loss).

(iii) Foreign exchange risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are directly correlated to U.S. dollar benchmark prices and derivative contracts denominated in U.S. dollars.

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. The immediate risk relates to the renewal of the credit facility. The credit facility was scheduled to mature on April 30, 2019. However, the parties have agreed to extend this renewal date to May 31, 2019 to facilitate the analysis of all information provided by the Company. If the facilities are not renewed by the syndicate during the current renewal, all amounts outstanding will become due and payable on April 30, 2020. Discussions to date with the lending syndicate have indicated that the facility will be renewed. However, the borrowing base, maturity date, covenants and various other term, have yet to be finalized. The amount available under the facility is highly dependent on the Company's independent engineering reserve report, as well as other factors, many of which are not within the control of the Company. The borrowing base of the credit facility is also subject to a semi-annual review, with the next one currently scheduled for October of 2019.

Liquidity risk is impacted by the current state of the oil and gas industry in Canada. The industry has recently experienced unprecedented, volatile commodity prices; curtailments on production (Journey is currently exempt from curtailments); reduced capital being available to the industry; and a general reduction in the number and value of oil and natural gas purchase and sale transactions (which restricts the ability to dispose of assets).

Management continues to work to mitigate liquidity risk through various means including reducing capital expenditures, reducing controllable costs, focusing on increasing cash flow from operations, and managing the relationships with the syndicate and the promissory note holder.

The following table details Journey's financial liabilities as at March 31, 2019:

	< 1year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	21,613	-	-	**21,613**
Derivative contracts	151	-	-	**151**
Bank Debt - principal	-	76,500	-	**76,500**
Promissory notes - principal	-	30,000	22,000	**52,000**
Interest on bank debt	4,950	-	-	**4,950**
Interest on promissory notes	3,988	3,026	2,527	**9,541**
	30,702	109,526	24,527	**164,755**

17. SUPPLEMENTAL INFORMATION

a) Changes in non-cash working capital

	Three months ended March 31,	
Sources (uses) of funds	**2019**	2018
Accounts receivable	**(6,128)**	2,792
Prepaid expenses and deposits	**(348)**	(490)
Deferred financing charge	**41**	32
Deferred lease obligation	**-**	(15)
Accounts payable and accrued liabilities	**4,720**	420
	(1,715)	2,739
Relating to:		
Operating activities	**(1,571)**	4,907
Financing activities	**41**	32
Investing activities	**(185)**	(2,200)
	(1,715)	2,739

b) *Supplementary cash flow information*

	Three months ended March 31,	
	2019	2018
Interest paid	**1,422**	1,115

c) Revenue by product type

	Three months ended March 31,	
	2019	2018
Crude oil	**20,253**	20,610
Natural gas	**6,586**	5,492
Natural gas liquids	**1,659**	2,832
Petroleum and natural gas sales	**28,498**	28,934

18. COMMITMENTS

The Company is committed to firm-service contracts for the transportation of certain portions of its natural gas production. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts.

	Total	2019	2020 - 2021	2022 - 2023
Natural gas transportation	**1,017**	**556**	**430**	**31**

In addition to the commitments listed above, the Company has various indemnifications in place in the ordinary course of business, none of which, as assessed by management, are expected to have a significant impact on the Company's consolidated financial statements.

19. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt, promissory notes and working capital (current assets less current liabilities, but excluding the fair value of derivative contracts and decommissioning liabilities). The Company's key objectives when managing its capital structure are to: 1) meet its financial obligations as they come due; 2) finance its internally generated capital program; and 3) maintain financial flexibility to take advantage of accretive acquisitions that arise from time to time. To accomplish this, Management strives to optimize its cost of capital while at the same time reducing its leverage. To manage its capital structure Journey may: issue equity or term debt, adjust discretionary capital spending, use its credit facility to execute its capital program, or dispose of non-core assets.

Journey continually monitors its capital structure and makes adjustments throughout the year as a result of drilling successes or failures, general economic conditions, the state of the petroleum industry and global events, all of which may affect commodity prices. Journey prepares an annual budget, which is approved by the Board of Directors, and is updated quarterly for acquisition and divestiture activity, changes in commodity prices, and drilling successes. The budget is intended to be flexible and is re-evaluated at each regularly scheduled board meeting to ensure the Company's finances are being managed to maximize shareholder returns.

Journey remains committed to reducing bank debt and restoring the net debt to funds flow ratio to the internally desired level of below 2.0. While the most recent quarter's funds flow is often used as a benchmark for measuring the net debt to funds flow ratio, Journey factors in anomalies in current funds flow such as unusually low commodity prices and/or non-recurring operating costs. As at March 31, 2019 the net debt is higher than the desired operating level due significantly to the additional term debt of $22,000 associated with the January of 2018 repurchase of 12,700 common shares. In addition, the widening of oil differentials in the fourth quarter of 2018 resulted in negative funds flow, which in turn reduced the Company's ability to repay debt. This additional leverage has resulted in the Company reducing capital expenditures in 2019 to aid in moving the net debt to funds flow ratio closer to the desired level.

20. SUSEQUENT EVENTS

Subsequent to March 31, 2019, Journey entered into two financial derivative contracts as follows:

Type	Volume bbls/d	Pricing point	Strike $ per bbl (CDN)	Term
Swap	500	WCS CDN	$74.75	May 1, 2019 to May 31, 2019
Swap	500	WCS CDN	$72.50	June 1, 2019 to June 30, 2019