



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on May 7, 2019 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three month periods ended March 31, 2019 and 2018. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2019 and 2018 along with the notes related thereto.

Additional information on the unaudited interim condensed consolidated financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in Management's Report to shareholders included with the financial statements. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Journey prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward-Looking Information

This MD&A contains forward-looking statements. More particularly, this MD&A contains statements concerning anticipated: (i) timing and completion of the acquisitions, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the acquisitions, (ii) potential development opportunities and drilling locations associated with the acquisitions, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the acquisitions, (iii) oil and natural gas production growth (iv) debt and bank facilities, (v) capital expenditures, (vi) primary and secondary recovery potentials and implementation thereof, (vii) decline rates, (viii) funds from operations, (ix) operating and Funds Flow netbacks, (x) operating expenses, (xi) general and administrative expenses, and (xii) realization of anticipated benefits of acquisitions.

The forward-looking statements are based on certain key expectations and assumptions made by Journey, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, Funds Flow and capital expenditures, the application of regulatory and royalty regimes, prevailing commodity prices and economic conditions, development and completion activities, the performance of new wells, the successful implementation of waterflood programs, the availability of and performance of facilities and pipelines, the geological characteristics of Journey's properties, the successful application of drilling, completion and seismic technology, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labor and services, and the creditworthiness of industry partners.

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks

associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in this MD&A under the heading 'Risk Factors'.

The following table outlines Journey's updated forward-looking information included in, and as of the date of this MD&A and has been updated from previous forward-looking information. The disclosure below is intended to provide the reader with the key assumptions that the forward looking information is based upon and the relevant risk factors that would be considered key in preventing Journey from achieving these results. This table also represents Journey's outlook for the balance of 2019:

2019 Annual Guidance	Key Assumptions	Relevant Risk Factors
Production volumes for 2019 between 9,200 and 9,600 boe/d	Completion of the budgeted drilling program and no significant 3 rd party facility or pipeline outages.	Well performance; 3 rd party outages; drilling success; and acquisitions & divestitures
2019 Funds Flow from operations of \$33 - \$36 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD \$60/bbl WTI; AECO natural gas prices of \$1.90/mcf; and using an average US/CAN exchange rate of \$0.75	WTI oil prices; Edmonton par differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
2019 exploration and development capital spending program of \$30 million	The E&D program will focus mainly on drilling 11 (11.0 net) wells, as well as certain exploitation projects.	Achieving the projected Funds Flow from operations; maintaining the existing banking credit facility
Net debt of \$129 - \$133 million by the end of 2019	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Royalty rate of approximately 12%	Dependent on commodity prices and well productivity rates as per Journey's historical results	Commodity prices; new wells being drilled qualifying for reduced royalties on new production
Cash operating (net of recoveries) and transportation costs per boe in the low \$14/boe range	Achieving projected production volumes; no significant changes to cost structures; and no significant operational issues or unplanned workovers or turnarounds	Projected production volumes not achieved; third party oil processing capacities; operating cost increases due to inflation and/or improvement in industry conditions
Cash financing costs (interest and bank fees) costs of approximately \$2.00/boe	Bank prime rates and renewal fees remaining at current levels. No significant inflation above current levels	Bank prime rate increases beyond small increments
Cash general & administrative costs of approximately \$2.65/boe (net of capitalized G&A and recoveries)	No significant changes to currently projected activity levels	G&A is reasonably predictable as they are mainly fixed costs such as rent and salaries

Non-GAAP Measures

In this MD&A, we refer to financial measures that do not have any standardized meaning as prescribed by General Accepted Accounting Principles (“GAAP”). These non-GAAP financial measures are line items, headings or subtotals in addition to those required under GAAP, and financial measures disclosed in the notes to the most recently audited consolidated financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that non-GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities. Below are the non-GAAP measures that Journey uses.

This MD&A uses the term “**netback(s)**”. The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers netbacks as a key performance measure as it demonstrates the Company’s profitability relative to current commodity prices. They are also used by Management in operational and capital allocation decision. Netbacks are comprised of three main operating subtotals: operating, Funds Flow and net income (loss). Operating netback is calculated as the average sales price of Journey’s commodities sold (excluding financial hedging gains and losses) sold less royalties, transportation costs and operating expenses. Funds Flow netback starts with the operating netback and deducts general and administrative costs, interest expense and then adds or deducts any realized gains or losses on derivative contracts. To calculate the net income (loss) netback, Journey takes the Funds Flow netback and deducts all non-cash expenses which includes: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; impairments; exploration and evaluation expenses; PP&E impairments and reversals; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

“**Funds Flow**” is calculated by taking “cash flow provided by operating activities” from the financial statements and removing: changes in non-cash working capital; transaction costs; and decommissioning costs. Funds Flow per share is calculated as Funds Flow divided by the weighted-average number of shares outstanding in the period. Because Funds Flow and Funds Flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of performance than cash from operating activities. In addition, Journey excludes transaction costs from the definition of Funds Flow as these expenses are generally in respect of capital acquisition transactions and are of a non-recurring nature. The Company considers 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. Journey’s determination of Funds Flow may not be comparable to that reported by other companies. The reconciliation between cash from operating activities on the consolidated financial statements, and Funds Flow can be found in the table below. Journey also presents Funds Flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited consolidated financial statements.

“**Net operating expenses**” are calculated by taking the operating expenses in the statement of profit and loss and subtracting the income related to Journey’s field activities, which is reflected in the statement of profit and loss as “other income”. The activities that generate this income include: processing income from jointly or wholly owned gas plants and oil batteries; oil treating income; transporting third party gas and oil through gathering and sales pipelines; and water disposal fees. Journey considers this income to be ancillary to its main operations as the various operations which generate this income also process Journey’s production. They are not considered to be separate profit centers and insignificant internal resources are devoted to generating this income. Therefore, for purposes of these MD&A, Journey considers it more appropriate to show this income as a cost recovery and therefore nets these amounts with field operating expenses.

The reconciliation of Funds Flow to the GAAP measured Funds Flow from operating activities is presented in the following table:

	March 31, 2019	March 31, 2018	% Change
Cash flow provided by operating activities	5,918	9,396	(37)
<u>Add (deduct):</u>			
Changes in non-cash working capital	1,571	(4,907)	132
Transaction costs	7	37	(81)
Decommissioning costs incurred	226	614	(63)
Funds Flow	7,722	5,140	50

Net debt is used to assess efficiency, liquidity and general financial strength of the Company. In addition, it is used as a comparison tool to assess financial strength in relation to Journey's peers. Net debt as at the end of each year-end is as follows:

	March 31, 2019	December 31, 2018	% Change
Principal amount of bank indebtedness, less cash in bank	71,710	76,509	(6)
Principal amount of promissory notes	52,000	52,000	-
Accounts payable and accrued liabilities	21,613	16,878	28
<u>Deduct:</u>			
Accounts receivable	(15,348)	(9,220)	66
Prepaid expenses	(2,206)	(1,858)	19
Net debt	127,769	134,309	(5)

Abbreviations and BOE Advisory

<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>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>Mbbls</i>	<i>thousand barrels</i>
<i>MMBtu</i>	<i>million British thermal units</i>
<i>NGL's</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>

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*.

Amounts

All dollar amounts quoted are in thousands of Canadian dollars unless otherwise noted. All share data is quoted in thousands of shares, except per share data or as specifically otherwise noted.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2019

Financial

Journey recorded Funds Flow of \$7,722 in the first quarter of 2019 representing \$0.20 per share basic and \$0.19 per diluted share. Cash flow from operating activities was \$6,313 in the first quarter of 2019 as compared to \$9,396 in 2018. The net loss for the first quarter was \$4,087 (\$0.10 per basic and diluted share). The Company spent capital of \$960 in the first quarter of 2019 and exited the quarter with net debt of \$127,769.

Capital spending

During the first quarter, Journey did not drill any wells as it conserved its capital to reduce its leverage. Journey is still currently planning to drill 11 (11.0 net) oil wells during 2019 with the earliest planned to be drilled in mid-May. The \$960 of capital spent in the first quarter was necessary maintenance capital and one small royalty acquisition.

Production

Production decreased 8% in the first quarter of 2019 to average 9,330 boe/d versus 10,117 boe/d in the first quarter of 2018. Quarter over quarter production decreased 6% in the first quarter as compared to the fourth quarter of 2018. The decrease in production was mainly the result of natural declines as no new wells were brought on-production during the quarter.

Outlook

For 2019, our guidance for average production is projected to be between 9,200 and 9,600 Boe/d. Funds Flow is anticipated to range between \$32 and \$36 million depending on whether the differentials for both oil and natural gas stay at the current mid-\$5 USD level. Exploration and development capital expenditures are projected to be approximately \$30 million for the year. The Company is currently planning an 11 (11.0 net) well drilling program for 2019, which is currently anticipated to commence in mid-May. The Duvernay prospect development continues to evolve as Journeys' partner currently expects to have the two earning wells and five commitment wells under the farm-out agreement complete by the end of the year.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Daily sales volumes decreased 8% to 9,330 Boe/d for the first quarter of 2019 from 10,117 Boe/d in 2018. This decrease was the result of natural declines as no new wells were drilled in the fourth quarter of 2018 nor the first quarter of 2019.

	Three months ended March 31,		
	2019	2018	% Change
Natural gas (Mcf/d)	29,339	32,176	(8)
Crude oil (Bbl/d)	3,886	3,984	(2)
Natural gas liquids (Bbl/d)	553	771	(28)
Barrels of oil equivalent (Boe/d)	9,330	10,117	(8)

Aggregate Sales Volumes

Aggregate production volumes decreased 8% during the first quarter of 2019 to 839,667 BOE as compared to 910,547 BOE for the first quarter in 2018. For the three months ended March 31, 2019, natural gas production contributed 52% (2018 – 53%) of total volumes; crude oil at 42% (2018 – 39%), and natural gas liquids at 6% (2018 – 8%). Journey expects liquids (oil and NGL's) volumes to be approximately 49% of total volumes for the remainder of 2019.

	Three months ended March 31,		
	2019	2018	% Change
Natural gas (Mcf)	2,640,474	2,895,866	(9)
Crude oil (Bbl)	349,780	358,517	(2)
Natural gas liquids (Bbl)	49,809	69,390	(28)
Barrels of oil equivalent (BOE)	839,667	910,547	(8)

Volumetric Product Mix

% of Aggregate Production	Three months ended March 31,		
	2019	2018	% Change
Natural gas	52	53	(1)
Crude oil	42	39	6
Natural gas liquids	6	8	(22)
Total	100	100	

Benchmark Indices

	Three months ended March 31,		
	2019	2018	% Change
Crude Oil			
WTI (US\$/Bbl)	54.81	62.87	(13)
Canadian light (CDN\$/Bbl)	66.92	73.56	(9)
Western Canada Select (CDN\$/Bbl)	56.66	48.76	16
Natural Gas			
NYMEX (US \$/Mmbtu)	2.86	2.84	1
AECO - Daily (CDN\$/Mcf)	2.62	2.06	27
Foreign Exchange			
Canadian to US dollar	0.752	0.791	(5)
US to Canadian dollar	1.329	1.265	5

WTI oil prices decreased 13% in the first quarter of 2019 to average \$54.81 USD/bbl as compared to \$62.87 USD/bbl in the first quarter of 2018. The Canadian dollar declined 5% against the US dollar during the first quarter of 2019 which had a positive effect on realized Canadian oil prices. Changes to the Canadian dollar vis a vis the US dollar are based on many factors including the strength of the Canadian economy, Canadian and US interest rates, the political environment and exports. The impact of WTI decreasing was offset somewhat from the decline in the Canadian dollar. The Alberta oil differential issue that plagued the industry in the fourth quarter of 2018 significantly reversed itself in 2019 with the Alberta Government production curtailment initiative commencing on January 1. The result was that the average Edmonton par oil price increased from an average of \$48.27/bbl in the fourth quarter of 2018 to \$66.92/bbl in the first quarter of 2019. A similar result was realized in WCS prices where the fourth quarter average price was \$36.01/bbl and for the first quarter of 2019 it was \$56.66/bbl. For 2019, Management is projecting the following for its budgeting purposes: WTI to average \$58.50 USD/bbl; the CAD\$ to average \$0.75; and the WTI/Canadian Light oil differentials to average \$5.50 USD/bbl.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 27% higher at \$2.62/mcf in the first quarter of 2019 as compared to \$2.06/mcf during the same period in 2018. The 2018/19 winter started off relatively warm but starting in late December Eastern Canada and the US experienced a very cold winter. Despite the winter being colder than normal in both the U.S. and Canada, and storage levels being significantly below the five year average, the belief that there is ample production response to any significant storage draws continues to keep natural gas prices depressed. Currently, AECO prices have returned to their pre-winter low levels as the combination of restricted ability to export Alberta natural gas, and the competition with U.S. natural gas being imported into Eastern Canada and the North East United States continues to take its toll on Alberta natural gas prices.

Realized Prices

Commodity prices realized by Journey were as follows:

a) Realized prices excluding commodity derivative contract gains and losses:

	Three months ended March 31,		
	2019	2018	% Change
Natural gas (\$/Mcf)	2.49	1.90	31
Crude oil (\$/Bbl)	57.90	57.49	1
Natural gas liquids (\$/Bbl)	33.31	40.82	(18)
Total (\$/boe)	33.94	31.78	7

The 31% increase in realized natural gas prices led the 7% increase in average corporate prices during the first quarter of 2019. The combination of a cold winter in North America and the US gas pricing diversification strategy for Journey resulted in the significant natural gas price realizations over the AECO base price. To alleviate some of the low price exposure at AECO, Journey moved approximately 50% of the Company's natural gas production to a blend of four pricing points at Nymex, Dawn, Malin and Chicago starting in June of 2018. This change in marketing strategy had the effect of increasing Journey's realized natural gas prices beyond the historic 4-5% premium over AECO. Journey's realized oil price appreciated slightly to \$57.90/bbl in the first quarter of 2019 compared to \$57.49/bbl in 2018. NGL prices decreased 18% to \$33.31/bbl in 2019 as compared to 2018.

b) Realized prices including commodity derivative contract gains and losses:

Journey has a combination of oil and natural gas commodity contracts as detailed in the Risk Management section below. Taking into account the impact of Journey's commodity contracts, the realized prices were as follows:

	Three months ended March 31,		
	2019	2018	% Change
Natural gas (\$/Mcf)	2.49	2.36	6
Crude oil (\$/Bbl)	57.10	47.88	19
Natural gas liquids (\$/Bbl)	33.31	40.82	(18)
Total (\$/boe)	33.61	29.47	14

RISK MANAGEMENT ACTIVITIES

At March 31, 2019, the Company had the following derivative contracts in place:

Crude Oil:

Type	Volume bbls/d	Pricing point	Strike \$ per bbl (CDN)	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 derivative contracts fair value liability					(88)

The loss (gain) on derivative contracts for the periods ended March 31, are as follows:

\$ 000's	Three months ended March 31,		
	2019	2018	% Change
Realized	280	(2,105)	(113)
Unrealized	1,317	(6,083)	(122)
Total	1,597	(8,188)	(120)

\$/boe	Three months ended March 31,		
	2019	2018	% Change
Realized	0.33	(2.31)	(114)
Unrealized	1.57	(6.68)	(124)
Total	1.90	(8.99)	(121)

The change in the value of these contracts for the quarter ended March 31, 2019 resulted in a realized loss of \$280 and an unrealized loss of \$1,317. At March 31, 2019 the estimated fair value of all commodity hedging contracts is a net liability of \$88.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby protect Funds Flows, which are used to fund both our capital program. These risks can be mitigated by entering into derivative contracts for oil, natural gas and foreign exchange. The risk associated with using these derivative contracts include: commodity prices moving materially in favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor.

PETROLEUM AND NATURAL GAS (“P&NG”) SALES

For the three months ended March 31, aggregate P&NG sales decreased 2% to \$28,498 in 2019 from \$28,934 in 2018. The 2% decrease in sales attributable to the 8% decrease in production volumes, but being offset significantly by the 7% increase in average commodity prices when comparing quarter to quarter. The oil production contribution to corporate revenues was stable at 71% in both quarters, whereas the natural gas contribution increased 22% from 19% in 2018 to 23% in 2019 because of the increase in natural gas prices in 2019 as compared to 2018.

P&NG Sales (\$)	Three months ended March 31,		
	2019	2018	% Change
Natural gas	6,586	5,492	20
Crude oil	20,253	20,610	(2)
Natural gas liquids	1,659	2,832	(41)
Total	28,498	28,934	(2)

The contribution of each product to total P&NG sales is as follows:

P&NG Sales (% Contribution)	Three months ended March 31,		
	2019	2018	% Change
Natural gas	23	19	22
Crude oil	71	71	-
Natural gas liquids	6	10	(41)
Total	100	100	

ROYALTIES

For the three months ended March 31, royalties were \$3,266 in 2019 as compared to \$3,983 for the same period in 2018 representing an 18% decrease. On a per BOE basis, the royalty rate decreased 11% to \$3.89 in 2019 as compared to \$4.37 from last year. As a percentage of revenue, the rate for the first quarter of 2019 was 11.5% or 17% lower than the 13.8% realized in 2018. Despite average commodity prices being 7% higher, the royalty rate as a percentage of revenues decreased as certain gross over-riding royalty adjustments on natural gas production were realized in the first quarter. Journey is projecting a corporate royalty rate of approximately 12% for the balance of 2019 based on Journey’s internal forecast of realized oil prices and the anticipated productivity of its wells.

Royalties (\$)	Three months ended March 31,		
	2019	2018	% Change
Crown	1,387	1,996	(31)
Freehold/gross over-riding	1,879	1,987	(5)
Total royalties	3,266	3,983	(18)
Royalties (% of P&NG sales)	11.5	13.8	(17)

\$ / BOE	Three months ended March 31,		
	2019	2018	% Change
Crown	1.65	2.19	(25)
Freehold/gross over-riding	2.24	2.18	3
Total	3.89	4.37	(11)

NET OPERATING EXPENSES

For the three months ended March 31, net operating expenses (after expense recoveries) were \$11,827 or \$14.09 per boe in 2019 as compared to \$12,824, or \$14.08 per boe in 2018. For the comparative periods, operating costs (before recoveries) decreased by 10%, which is partially explained by the 8% decrease in production volumes quarter to quarter. Expense recoveries decreased 33% as third party volumes for processing were lower due to reduced activity at our facilities. For the remainder of 2019, Journey expects the per BOE rate to average in the \$14.00 range.

<i>Operating expense under IFRS 16</i>	Three months ended March 31,		
	2019	2018	% Change
Operating expense per the financial statements (\$)	12,485	13,800	(10)
Less: expense recoveries (\$)	(658)	(976)	(33)
Net operating expenses (\$)	11,827	12,824	(8)
Net expense (\$ per BOE)	14.09	14.08	-
Net expense (as a % of P&NG sales)	43.8	47.7	(8)

Starting in 2019, the accounting for operating expenses changed due to a new IFRS provision taking effect. IFRS 16 has caused a portion of what was previously considered to be operating expenses to be reclassified to depreciation and financing expense. The below table shows the operating expenses after removing the effect of IFRS 16 and showing the cash portion of leases that were previously imbedded in operating expenses prior to 2019.

<i>Operating expenses adjusted for IFRS 16</i>	Three months ended March 31,		
	2019	2018	% Change
Net operating expenses above (\$)	11,827	12,824	(8)
Add: IFRS 16 adjustment – lease payments (\$)	26	-	-
Adjusted net operating expenses (\$)	11,853	12,824	(8)
Expense (\$ per BOE)	14.12	14.08	-
Expense (as a % of P&NG sales)	41.6	44.3	(6)

TRANSPORTATION

Transportation expenses were \$412 for the three months ended March 31, 2019, or 1.4% of production revenue as compared to \$363 and 1.3% for 2018. Increased trucking rates were the main contributor to the aggregate cost increase since oil volumes declined 2% and NGL volumes declined 28% from 2018 levels. Transportation costs per boe averaged \$0.49 for the first quarter in 2019, or 23% higher than the same period in 2018. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended March 31,		
	2019	2018	% Change
Transportation expense (\$)	412	363	14
Expense (\$ per BOE)	0.49	0.40	23
Expense (% of P&NG sales)	1.4	1.3	8

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the first quarter of 2019, G&A expense (after recoveries) decreased 15% to \$2,225 in 2019 from \$2,606 in 2018. Gross G&A expense decreased 18% from \$3,494 in 2018 to \$2,849 for the comparable three month period in 2019. The decrease in gross G&A expense was primarily attributable to the change in IFRS rules relating to operating leases. Under IFRS 16 \$369 in what was previously considered to be G&A expense is now re-characterized as depreciation and interest expense. On a per BOE basis, Journey realized net G&A of \$2.65/boe for the first quarter of 2019, or 7% lower than the \$2.86/boe in 2018.

G&A (\$)	Three months ended March 31,		
	2019	2018	% Change
Gross expense	2,849	3,494	(18)
Less:			
Overhead recoveries	(506)	(597)	(15)
Capitalized G&A	(118)	(291)	(59)
Expense per financial statements	2,225	2,606	(15)
Expense (\$ per boe)			
Gross expense	3.39	3.84	(12)
Net expense	2.65	2.86	(7)

Starting in 2019, accounting for lease expenses changed due to a new IFRS provision taking effect. IFRS 16 has caused lease expenses that were previously considered as G&A expenses to be reclassified to depreciation and financing expense. The below table shows what the G&A expenses are after removing the effect of IFRS 16 and showing the cash portion of the lease payments that were previously imbedded in G&A expenses prior to 2019.

G&A adjusted for IFRS 16 (\$)	Three months ended March 31,		
	2019	2018	% Change
Expense per financial statements	2,225	2,606	(15)
Add: IFRS 16 adjustment – lease payments	369	-	-
Adjusted G&A expense	2,594	2,606	-
Net expense (\$ per BOE)	3.09	2.86	8

On a per BOE basis, net G&A for 2019 is expected to be in the \$3.00 range for the balance of 2019.

FINANCE EXPENSES

Finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion on the term debt, accretion on right-of-use assets and bank charges. Finance expenses increased 18% from the first quarter of 2018 to the first quarter of 2019 mainly due to accretion costs on the lease liability recorded under IFRS 16, as well as the promissory note financing which closed at the end of January, 2018. Interest costs for the first quarter of 2019, which includes both interest expense, amortization of banking renewal fees and standby fees, increased 24% to \$2,370 in 2019 from \$1,915 in 2018. For the first quarter of 2019, the average interest bearing debt outstanding was \$130,463 which was a 13% increase from \$115,521 for the comparable period in 2018. For the first quarter in 2019, the average effective interest rate on outstanding borrowings increased 11% to 7.4% in 2019 from 6.7% in 2018. On a per BOE basis, the cash finance expense was \$2.82 for 2019 as compared to \$2.10 for 2018, representing a 34% increase, period over period. The increase in interest expense in the first quarter of 2019 was mainly due to an increase in prime lending rates and also because Journey moved to a higher rate in its interest rate pricing grid commensurate with its debt to cash flow ratio moving to a higher level. The per boe rate increased as interest rates were higher and production volumes being 8% lower. Journey is forecasting the per boe interest rate to be in the \$2.00/boe range for the balance of the year.

	Three months ended March 31, %		
Financing expense (\$)	2019	2018	Change
Expense per financial statements	3,587	3,040	18
Add/(Deduct):			
Accretion expense	(1,216)	(1,127)	8
Other bank charges	(1)	2	(150)
Cash finance expense	2,370	1,915	24
Average interest bearing debt	130,463	115,521	13
Average interest rate (%)	7.4	6.7	11
Cash finance expense (\$ per boe)	2.82	2.10	34
Expense per financial statements (\$ per boe)	4.27	3.34	28

SHARE BASED COMPENSATION

Share based compensation expense was \$820 for the first quarter of 2019 as compared to \$568 in 2018. The higher stock based compensation in the first quarter of 2019 was attributable to the amortization related to new long term incentives granted to employees in the fourth quarter of 2018. During the first quarter of 2019, the Company capitalized \$39 of share based compensation expense as compared to \$92 for the same period in 2018. The capitalization is attributable to technical staff, who are directly related to exploration and development activities. Due to the reduced capital activity in the first quarter, the capitalized amount was lower. The fair value of all share based compensation was estimated based on the date of issuance using a modified Black Scholes pricing model and is amortized over the vesting period.

	Three months ended March 31, %		
	2019	2018	Change
Expense per financial statements	820	568	30
Expense (\$ per boe)	0.98	0.62	58

DEPLETION AND DEPRECIATION ("D&D")

For the three months ending March 31, aggregate D&D increased 3% from \$8,174 in 2018 to \$8,458 in 2019. The D&D rate per BOE moved higher by 12% to \$10.07 in 2019 from \$8.98 in 2018 due to the lack of reserve additions in the fourth quarter of 2018 and first quarter of 2019 as no new drilling activity took place.

	Three months ended March 31, %		
	2019	2018	Change
Depletion and depreciation (\$)	8,458	8,174	3
Expense (\$ per boe)	10.07	8.98	12

DEFERRED TAXES

Due to the uncertainty around whether any additional deferred tax asset would be recoverable no new asset or liability was recorded in the first quarter of 2019. The deferred tax asset of \$13,199 remains as it was on December 31, 2018 and Journey will assess every quarter whether a change in the deferred tax asset is warranted. As at March 31, 2019 the Company has approximately \$724,865 in un-deducted tax pools that are being carried forward for future use.

	Three months ended March 31,		
	2019	2018	% Change
Deferred tax (\$)	-	-	-
Expense (\$ / BOE)	-	-	-

EXPLORATION AND EVALUATION (“E&E”) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed during the accounting period. During the three months ended March 31, 2019 Journey incurred an expense of \$386 which was 216% higher than the \$122 expensed in 2018.

	Three months ended March 31,		
	2019	2018	% Change
E&E expense (\$)	386	122	216
\$ per BOE	0.46	0.13	254

GAIN ON DISPOSITION OF ASSETS

There were no dispositions during the first quarter of 2019.

	Three months ended March 31,		
	2019	2018	% Change
Gain on disposition (\$)	-	(1,827)	(100)
\$ per BOE	-	(2.01)	(100)

NETBACKS

For the three months ended March 31, 2019 the operating netback was \$15.47 per BOE which was 20% higher than the \$12.93 per BOE realized in 2018. The increase in operating netbacks resulted primarily from a 7% increase in average commodity prices, as well as a decrease to royalty expenses of 11%. Transportation expenses increased 23% which offset some of the increase in operating netback. For the quarter, G&A expenses were lower by 7% at \$2.65/boe. However, G&A in 2019, as adjusted for the impact of IFRS 16, makes the G&A cost per boe \$3.09/boe which is 8% higher than the first quarter of 2018. Cash finance expenses were 34% higher at \$2.82/boe as compared to \$2.10 in 2018. The higher interest costs were the result of the full impact of the term debt issued late in January of 2018 as well as higher bank debt outstanding and higher interest rates. Realized hedging losses decreased by 86% to \$0.33 per BOE and were primarily the result of oil hedges expiring. For the three months ended March 31, the Funds Flow netback increased 71% from \$5.66 in 2018 to \$9.67 in 2019. In the non-cash expense section of the netbacks, Journey had a significant positive movement in its unrealized hedging loss position as the loss decreased by 76% from \$6.68 in 2018 to \$1.57/boe in 2019. All other non-cash items were consistent with 2018 numbers. The end result was a net loss of \$4.87 per boe for the first quarter of 2019 as compared to income of \$10.02 per boe in 2018.

(\$ per BOE)	Three months ended March 31,		
	2019	2018	% Change
Realized price	33.94	31.78	7
Royalties	(3.89)	(4.37)	(11)
Operating expenses	(14.09)	(14.08)	-
Transportation expenses	(0.49)	(0.40)	23
Operating	15.47	12.93	20
General and administrative	(2.65)	(2.86)	(7)
Finance expense - interest	(2.82)	(2.10)	34
Realized gain (loss) on derivative contracts	(0.33)	(2.31)	(86)
Funds Flow	9.67	5.66	71
Transaction costs	(0.01)	(0.04)	(75)
Unrealized loss on derivative contracts	(1.57)	(6.68)	(76)
Share based compensation	(0.98)	(0.62)	58
Depletion and depreciation	(10.07)	(8.98)	12
Finance expense - Accretion	(1.45)	(1.24)	17
Gain (loss) on dispositions	-	2.01	(100)
Exploration & evaluation expense	(0.46)	(0.13)	254
Net loss	(4.87)	(10.02)	(51)

FUNDS FLOW, CASH FLOW AND NET LOSS

The net loss for the first quarter of 2019 was \$4,087 as compared to a loss of \$9,144 in 2018. Journey realized a net loss of \$0.10 per weighted basic and diluted share in 2019 as compared to loss per share of \$0.21 (basic and diluted) for 2018.

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure which represents how much cash was generated by Journey's business operations. Cash flow from operating activities was \$6,313 for the first quarter of 2019 versus \$9,396 during the same quarter of 2018.

For the three months ended March 31, Funds Flow increased 50% from \$5,140 in 2018 to \$7,722 in 2019. The increase was largely attributable, period over period, to a 7% increase in average corporate realized prices as well as an 18% decrease in royalty expense. For the three months ended March 31, Funds Flow per weighted average share in 2019 was \$0.20 per basic share and \$0.19 per diluted share. Comparatively, Funds Flow per weighted share in 2018 was \$0.12 per basic and diluted share.

Per share data	Three months ended March 31,		
	2019	2018	% Change
Net loss	(4,087)	(9,144)	(55)
Basic (\$/share)	(0.10)	(0.21)	(52)
Diluted (\$/share)	(0.10)	(0.21)	(52)
Funds Flow	7,722	5,140	50
Basic (\$/share)	0.20	0.12	67
Diluted (\$/share)	0.19	0.12	58
Cash flow from operations	6,313	9,396	(33)

CAPITAL EXPENDITURES

For the first three months of 2019, Journey had limited its capital program to necessary expenditures as it tried to restore its balance sheet from the challenging fourth quarter of 2018. As a result Journey spent only \$960, which was a decrease of 89% from the \$8,373 spent in the same quarter of 2018. No wells were drilled in the first quarter of 2019. Journey currently plans on spending approximately \$30 million in capital program for 2019. A breakdown of the net capital additions for the respective quarters is as follows:

	Three months ended March 31,		
	2019	2018	% Change
Land and lease rentals	243	2,352	(90)
Geological and geophysical	-	190	(100)
Drilling and completions	-	4,622	(100)
Well equipment and facilities	540	3,024	(82)
Capitalized general and administrative	118	291	(59)
Exploration and development expenditures	901	10,479	(91)
Other expenditures	4	22	(84)
Total capital expenditures	905	10,501	(91)
PP&E acquisitions	55	-	-
PP&E dispositions	-	(2,002)	(98)
E&E acquisitions/dispositions	-	(126)	(100)
Net cash capital expenditures	960	8,373	(89)
<u>Other:</u>			
Capitalized share based compensation	39	92	(58)
Decommissioning expenditures	226	614	(63)
Total capital expenditures	1,225	9,079	(87)

	Three months ended March 31,			
	2019		2018	
Wells drilled	Gross	Net	Gross	Net
Development wells	-	-	2	2.0
Success rate (%)	-	-	100	100

DECOMMISSIONING LIABILITIES (“DL”)

At March 31, 2019, Journey has recorded a DL of \$202,964 (\$181,849 at December 31, 2018) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; the time frame in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. The future liability has then been discounted at a risk-free interest rate of 1.8% at March 31, 2019 (December 31, 2018 – 2.1%).

Accretion charges of \$912 for the three months ended March 31, 2019 (March 31, 2018 - \$961), respectively, have been recognized in the statements of comprehensive net income (loss) to reflect the increase in DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the three months ended March 31, 2019 was \$226 (March 31, 2018 - \$614).

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for

all of Journey's assets are funded entirely out of Funds Flow from operating activities. Journey's Liability Management Rating is well within the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required at March 31, 2019 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES ("LO")

On January 1, 2019, Journey adopted IFRS 16 which introduces a single method of accounting for leases and effectively brings future lease obligations onto the balance sheet. Effective January 1, 2019, the Company recognized lease obligation liabilities, at their present value of the remaining lease payments and then discounted using the Company's incremental borrowing rate as of January 1, 2019 of approximately 5.5%. At the same time, 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. Instead of recognizing the cash lease payments in G&A and operating expense, there will be depreciation on the ROU asset and accretion on the liability due to the passage of time.

The initial lease obligations recognized at January 1, 2019 were \$6,919. At March 31, 2019, Journey has recorded a LO of \$6,618. The future liability been discounted at an interest rate that approximates Journey's incremental cost of borrowing or 5.5%. The discounted lease obligations are then accreted up to their eventual cash obligation through the recording of interest expense. Accretion charges of \$94 for the three months ended March 31, 2019 has been recognized in the statements of comprehensive net income (loss) to reflect the increase in LO associated with the passage of time. Cash expenditures for the LO for the three months ended March 31, 2019 were \$395.

LIQUIDITY AND CAPITAL RESOURCES

The capital expenditures in the respective periods were funded as follows:

Capital Program Funding	Three months ended March 31,		
	2019	2018	Change %
Funds Flow	7,722	5,140	50
Transaction costs	(7)	(37)	(81)
Decommissioning costs incurred	(226)	(614)	(63)
Change in non-cash working capital	(1,715)	2,739	(163)
Increase (decrease) in bank debt	1,000	(3,000)	133
Decrease (increase) in cash in bank	(5,799)	3,487	(266)
Issuance of promissory notes	-	22,000	(100)
Share repurchase	-	(21,336)	(100)
Settlement of RSU's	(15)	(6)	150
Net cash capital expenditures	960	8,373	(89)

For the three months ended March 31, 2019, the Company funded its \$960 in net cash capital expenditures primarily from Funds Flow and bank debt.

As at March 31, 2019 the principal amount of the bank debt outstanding was \$76,500, representing approximately 77% of the total available credit facilities of \$100,000. Due to the uncertainty surrounding oil pricing commencing in the fourth quarter Journey decreased its capital spending to minimal levels. Oil pricing differentials were restored to a more normalized level in January however Journey opted to use its first quarter, 2019 Funds Flow to reduce leverage. Because of this increased leverage from the oil pricing turmoil, Journey re-evaluated its capital spending plans for 2019 and reduced it from a planned level of \$40 million to \$30 million. In addition, Journey continues to evaluate the possibility of disposing of non-core assets. Journey plans to continue evaluating small accretive

acquisitions that will enhance existing core areas in terms of drilling prospects and infrastructure control. The Company intends to fund its 2019 capital program primarily through its Funds Flow but will also manage the timing of its payables using its credit facility. The Company is currently projecting that Funds Flow will be in excess of its capital spending and therefore will be able to reduce leverage by approximately \$7-8 million.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the banks. The amount of available credit is based primarily upon the value of petroleum and natural gas reserves. The most recent formal evaluation of the reserves was performed by our external engineers as at December 31, 2018. The Company is still finalizing its borrowing base review and with the concurrence of both the lending syndicate and Journey, the current renewal timeline was extended from April 30, 2019 to May 31, 2019 to facilitate the banking syndicate’s review of all data provided by Journey. The credit facility is also subject to a semi-annual borrowing base review in October of each year.

The working capital deficiency as at March 31, 2019 was \$3,805 (current assets of \$22,407 minus the current liabilities of \$26,212), which will be dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues and any proceeds from the disposition of assets. A certain amount of working capital deficiency is normal in the industry and varies widely from company to company based on their specific Funds Flow and spending patterns.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three months ended March 31, 2019.

CONTRACTUAL OBLIGATIONS

In addition to the commitments listed below, 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 unaudited interim condensed consolidated financial statements.

a) Natural gas transportation

The Company has committed to firm-service contracts for the transportation of its natural gas. In addition, the Company has committed to future minimum payments under an operating lease that covers the rental of office space and a proportionate share of operating costs. 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	106

b) Indemnifications

Under the terms of certain agreements and the Company’s by-laws, Journey indemnifies individuals who have acted at the Company’s request to be a director and/or officer, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their service. The Company currently has no outstanding claims having a potentially material adverse effect on the Company as a whole.

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SUBSEQUENT EVENTS

The following derivative contracts were entered into after March 31, 2019.

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

SHARE CAPITAL

The following table provides a summary of the outstanding common shares and other equity instruments as at:

<i>(000's)</i>	May 7, 2019	March 31, 2019	December 31, 2018
Common shares outstanding	39,238	39,232	39,218
Options, warrants, restricted share and performance share awards	4,327	4,358	6,789
Fully diluted shares	43,565	43,590	46,007
Weighted average common shares			
Basic	N/A	39,226	39,819
Diluted	N/A	39,226	39,819

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Mar 31, 2019	Dec. 31, 2018	Sep 30, 2018	Jun 30, 2018
Production (boe/d)	9,330	9,921	10,227	10,036
Average prices realized, pre-hedging (\$/boe)	33.94	22.34	36.17	34.69
Petroleum and natural gas sales	28,498	20,390	34,032	31,685
Net earnings (loss)	(4,087)	(16,180)	202	(12,325)
Basic – per share (\$/share)	(0.10)	(0.41)	0.01	(0.32)
Diluted – per share (\$/share)	(0.10)	(0.41)	0.01	(0.32)
Funds Flow	7,722	(42)	7,890	5,305
Basic – per share (\$/share)	0.20	-	0.20	0.14
Diluted – per share (\$/share)	0.19	-	0.20	0.13
Cash flow from operations	6,313	(4,638)	10,631	26
Total assets	410,018	380,724	405,989	409,094
Net cash capital expenditures	960	1,125	9,647	7,499
Long term financial liabilities	331,280	304,062	214,354	225,331
Net debt	127,769	134,635	132,851	130,606
Dividends paid	-	-	-	-

	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Production (boe/d)	10,117	10,521	10,088	10,194
Average prices realized, pre-hedging (\$/boe)	31.78	31.32	25.29	31.92
Petroleum and natural gas sales	28,934	30,311	23,471	29,613
Net earnings (loss)	(9,144)	(138,841)	(6,059)	7,959
Basic – per share (\$/share)	(0.21)	(2.72)	(0.12)	0.16
Diluted – per share (\$/share)	(0.21)	(2.72)	(0.12)	0.16
Funds Flow	5,140	9,829	4,843	9,708
Basic – per share (\$/share)	0.12	0.19	0.10	0.19
Diluted – per share (\$/share)	0.12	0.19	0.09	0.19
Cash flow from operations	9,396	11,309	16,502	5,166
Total assets	413,802	416,983	532,161	554,933
Net capital expenditures	8,373	11,328	9,408	34,477
Long term financial liabilities	224,600	201,759	195,070	211,038
Net debt	128,215	103,021	103,385	96,554
Dividends paid	-	-	-	-

Petroleum and natural gas sales are impacted by production levels and volatile commodity pricing. Production levels are impacted by decline rates and the Company's capital program. Commodity prices are affected by both domestic and international factors that are beyond the Company's control. Petroleum and natural gas sales are impacted by production levels and the volatility of commodity pricing. In addition, royalties are affected by the underlying commodity pricing.

Significant factors and trends that have affected the Company's results during the above periods are outlined below:

- Alberta benchmark oil prices rebounded in the first quarter of 2019 to average \$66.92/bbl as compared to \$48.27/bbl in the fourth quarter of 2018. The positive result from the Alberta Government production curtailment initiative was instrumental in reversing the negative cash flow experienced from low oil prices in the fourth quarter of 2018 into a positive amount of \$7,722 in the first quarter of 2019. Capital was limited to necessary expenditures as only \$960 was spent during the quarter, with no wells being drilled. As a result of no new wells being drilled, production volumes declined to 9,330 boe/d as compared to 9,921 boe/d in the fourth quarter of 2018. Journey exited the first quarter with \$128 million of net debt. Journey's anticipated entry back into its drilling program will occur in May of 2019.
- During the fourth quarter of 2018 production volumes averaged 9,921 (54% natural gas). Realized prices decreased 38% to average \$22.34/boe. This decline was led by the decrease in oil prices by 54% from the third quarter resulting from historic WTI/Canadian par differentials. Realized natural gas prices helped offset some of the negative oil price impact with a 48% increase from the third quarter and mainly attributable to the price diversification strategy Journey employed into the US markets. Capital spending was maintenance only as Journey spent \$1,126. Due to the uncertainty surrounding oil price direction, Journey did not drill any new wells in the fourth quarter. The Alberta Government imposed production restrictions on producers that will become effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month and in November. These did not impact Journey's production Journey entered into a farm out with an industry partner to develop its 140 sections of Duvernay, oil- prospective lands. Drilling by this partner commenced with two wells spud in December.
- In the third quarter of 2018 Journey had production volumes of 10,227 boe/d (52% natural gas). Realized prices improved to an average of \$36.17/boe in the third quarter compared to \$34.69 in the second quarter. The increase in average prices were led primarily by a 45% increase in realized natural gas prices, while oil prices and NGL prices declined 3% and 17% respectively. Natural gas prices are adjusting to seasonal averages in the third quarter but continue to be challenged by egress issues despite the previous cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling

of 3 (3.0 net) wells in Skiff during the quarter. One well was placed on production during the third quarter and two will carry over into the fourth quarter. \$9,986 was spent on exploration and development while the Company had net dispositions of \$342 in the quarter. Hedging losses were the largest drag on both Funds Flow and net income as they amounted to \$4,903 of realized losses and \$2,314 of unrealized gains for a net hedging loss of \$2,589 during the quarter.

- In the second quarter of 2018 Journey had production volumes of 10,036 boe/d (53% natural gas). Realized prices improved to an average of \$34.69/boe led primarily with a 22% increase in realized oil prices from the first quarter. Natural gas prices continue to be challenged as corporate realized prices of \$1.11/mcf were 42% lower than the first quarter despite a cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 4 (4.0 net) wells in the quarter. All of these wells will be placed on-production in the third quarter. \$10,283 was spent on exploration and development while the Company had net dispositions of \$2,801 of minor, non-core assets in the quarter. Hedging losses were a drag on both Funds Flow and net income as they amounted to \$3,976 of realized losses and \$8,298 of unrealized losses in the quarter.
- On February 2, 2018 Journey bought 12,700 of its common shares from a significant shareholder for cancellation for a cost of \$21,336 (\$1.68 per share). The repurchase was funded with the issuance of \$22,000 of term debt. In the first quarter of 2018 production averaged 10,117 boe/d (53% natural gas) compared to 10,521 boe/d (54% natural gas). Realized prices before hedging averaged \$31.78/boe as compared to \$31.32/boe in the fourth quarter of 2017. Journey spent \$8,373 in capital during the quarter which included land acquisitions and drilling 2 (2.0 net) wells in the Matziwin area.
- During the fourth quarter of 2017 production volumes were 10,521 boe/d (54% natural gas) compared to third quarter volumes of 10,088 (55% natural gas). Journey spent \$11,328 in the quarter which included drilling 2 (2.0 net) wells. All three were placed on production at various times during the quarter. Average commodity prices were higher in the fourth quarter at \$31.32/boe as compared to \$25.29/boe in the third quarter. Natural gas prices continued to stay low and averaged \$1.49/mcf during the quarter as compared to \$1.32/mcf in the third quarter. Funds Flow was \$9,829 in the fourth quarter as compared to \$4,843 in the third quarter. During the fourth quarter the Company de-recognized \$104,115 in deferred tax assets as the decline in forward-looking natural gas prices caused Management to re-evaluate the probability of using their large tax pool position. In addition, Journey had net impairments of \$39,599 for PP&E and E&E assets in the quarter attributable to the lower natural gas prices in the independent reserve engineers report at December 31, 2017.
- During the third quarter of 2017 production volumes were 10,088 boe/d compared to third quarter volumes of 10,194. Two newly drilled wells were placed on production in the quarter and this was enough to stabilize the declines on existing corporate production. Average commodity prices were lower than in the third quarter at \$25.29/boe as compared to \$31.92/boe. Natural gas prices took a sharp downward turn in the quarter and averaged only \$1.32/mcf (excluding hedging gains) from \$2.70/mcf in the third quarter. Funds Flow was \$4,843 in the fourth quarter as compared to \$9,707 in the third quarter. Journey drilled 5 (5.0 net) wells in the quarter with net cash capital spending at \$9,408.
- In the second quarter of 2017 daily production increased 13% to 10,194 boe/d from the first quarter. A significant portion of this increase to production came from the acquisition of 2,000 boe/d (72% gas) on April 28. Average commodity prices were relatively flat from the first quarter as Journey realized \$31.92 per boe as compared to \$32.85 in the first quarter. Drilling was limited to 1 (1.0 net) well in the quarter as the Company chose to pay down the debt incurred on the acquisition. Funds Flow was \$9,707 in the third quarter as compared to \$6,747 in the first quarter.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended March 31, 2019 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2018.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2018 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2018 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The December 31, 2018, audited consolidated financial statements are available on SEDAR at www.sedar.com.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

CHANGES IN 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 ROU 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.

RISK FACTORS AND RISK MANAGEMENT

The risks in the oil and gas industry are varied and wide-ranging. The primary risks and how the Company mitigates them are as follows:

Commodity Price Risk

The Company's operating results and financial condition are dependent on prices received for the production of natural gas, NGL and oil. Commodity prices have historically been subject to wide fluctuations and have the most material impact on Funds Flow. These prices are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. Prices received in Canada also reflect changes in the Canadian/US currency exchange rate. Journey's strategy to mitigate these risks focuses on the use of puts, swaps, costless collars and fixed price contracts to limit exposure to downturns in commodity prices while allowing, to the maximum extent possible, maximum exposure to commodity price increases. The Company's hedging activities are conducted pursuant to the Company's Risk Management policy approved by the Board of Directors. Revenues and the resulting Funds Flows fluctuate with commodity prices, which are tied directly to the US/Canadian dollar exchange rate. Commodity prices are determined on a global basis and circumstances that occur in various parts of the world are outside of the control of the Company. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy, diversifying its asset mix and strengthening its balance sheet in order to take advantage of low price

environments by making strategic acquisitions. Journey enters into commodity price contracts to actively manage the risks associated with price volatility and thereby partially protect Funds Flows, which are used to fund our capital program.

The risk associated with using these derivative contracts include: commodity prices moving materially in favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. Journey mitigates these risks by entering mainly into collar transactions that give acceptable ranges of prices and furthermore by dealing with its chartered banks as the primary counterparty.

Foreign Exchange Risk

Journey is also exposed to fluctuations in the exchange rate between the Canadian and US dollar. Most commodity prices are based on US dollar benchmarks, which result in our realized prices being influenced by the Canadian/U.S. currency exchange rates.

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).

Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital balance. The currently available capacity on the Company's credit facility is assessed by Management to be sufficient to ensure obligations will be met as they come due.

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

	< 1 year	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
Total	30,702	109,526	24,527	164,755

Credit Risk

Credit risk arises from the potential loss resulting from a counterparty failing to meet its obligations in accordance with the agreed terms. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. On a regular basis, the Company assesses the potential for bad debts associated with these parties and provides for accordingly.

Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery.

The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

Credit Facility Risk

The Company currently has a revolving bank credit facility of \$100,000. The facility is a 365 day revolving facility from a syndicate of lenders with a term-out date of April 30, 2019. The credit facility was scheduled to mature on April 30, 2019, however, the lending syndicate has granted an extension of the renewal date to May 31, 2019 to facilitate analysis of all information provided by the Company. If not currently renewed by the syndicate the facility will become due and payable on April 30, 2020. Management believes that the facility will be renewed by the lenders as it has in the past. The amount available under the facility is highly dependent on the Company's independent engineer 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 subject to a semi-annual review, which is currently anticipated to be concluded in October of 2019. In the event the lenders do not renew the credit facility, the full amount of any outstanding amounts will become due and payable one year after the current renewal date. The credit facilities are secured by a \$500,000 fixed and floating charge debenture over all the assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. Journey is subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all such covenants as at March 31, 2019. The credit facility contains customary restrictions on the disposition of assets and the granting of security, as well as on the making of distributions if there is a default under the facility.

Access to Capital Markets

The Company's business plan includes the making of significant capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As Funds Flow may not be sufficient to fund its ongoing activities at all times, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities over and above its lending facility. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss out on acquisition opportunities, and reduce or terminate operations. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on

the Company's business financial condition, results of operations and prospects. Should circumstances affect the Funds Flow in a detrimental way, the Company would respond by increasing debt within the Company's self-imposed debt guideline and/or reducing capital expenditures. The Company relies on various sources of funding to support its capital expenditure program including:

- Internally generated Funds Flows;
- Debt may be utilized to expand capital programs when deemed appropriate; and
- Additional equity, if available and on terms acceptable to the Company, may be used to expand or support exploration and development programs and fund acquisitions.

Interest Rate Risk

Journey is exposed to interest rate fluctuations. Interest rate risk arises from changes in market interest rates that may affect the future Funds Flows from the Company's financial assets or liabilities. The Company's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the market rates of interest.

The maturing Western Canadian Sedimentary Basin

Land and producing assets are becoming increasingly scarce and more expensive. The Company mitigates these risks by developing its core areas to gain efficiencies. In addition, the Company participates in several farm-in opportunities wherein its exposure to increasing land prices is minimized. For riskier, exploration projects, the Company will solicit partner participation to limit the downside exposure.

Increasing United States Oil and Natural Gas Supply

Over the last several years, the advent of multi-stage fracking has unlocked previously uneconomic oil and natural gas supplies that are readily available in the United States. The Marcellus, Haynesville, and Eagle Ford shale gas plays in the Eastern United States and the Bakken in North Dakota have created a supply within the major consuming regions of the United States. This has caused a reduction in demand from Western Canada and this could possibly continue for many years to come. As a result, the Company has shifted capital to oil targets on its existing lands and will continue to do so into the foreseeable future.

Operating and finding and development costs are decreasing each year

The industry has experienced decreased costs for services in the past year. Demand for all services decreased as companies had to become more efficient in the drilling activities due to low commodity prices and demanded price reductions from all service suppliers. The Company mitigates risks by entering into strategic joint ventures to reduce exposure to high costs and diversify drilling risks. The Company employs experienced and motivated staff to evaluate and generate high quality drilling prospects. In addition the Company seeks to utilize appropriate technology and responsible operating practices in operating its wells. The Company utilizes appropriate safety programs and insurance coverage to guard against potential losses. Concentrating on core areas wherein Journey has high degrees of ownership and operatorship further mitigates increasing operating costs as economies of scale are gained. Journey attempts to minimize finding risk by:

- Focusing its efforts on its core areas wherein its expertise and experiences can be properly leveraged;
- Generating as many internal projects as possible;
- Being the operator on the majority of projects;
- Identifying drilling opportunities with multi-zone prospects; and
- Making prudent use of seismic data to identify prospects – either by purchasing trade data or by shooting new seismic.

Administrative Risks

The increased transparency required by the securities regulators and constantly evolving accounting guidelines dictate significant resources be devoted to these areas. Journey maintains processes designed to comply with the required disclosures; has a strong Board of Directors and engages technical advisors to assist in meeting securities

guidelines. In addition, the industry will continue to experience competitiveness with respect to finding and retaining qualified employees. Retention issues are at least partially mitigated by having all employees participate in its LTI program and paying competitive salaries.

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The Alberta government has recently announced changes to its royalty structure framework effective January 1, 2019. In general, the changes appear not to be financially onerous but the Company will continue to monitor and assess as the details become known. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is well above this limit and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the interim period ending March 31, 2019, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the first quarter of 2019.

The March 31, 2019 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.