

**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Financial Position (unaudited)***(in thousands of Canadian dollars)*

	Note	March 31, 2020	December 31, 2019
<b>ASSETS</b>			
CURRENT			
Accounts receivable		8,246	15,193
Prepaid expenses and deposits		1,602	1,209
Derivative contracts	16(a)	9,329	113
Total current assets		19,177	16,515
Property, plant and equipment	4	249,464	319,810
Exploration and evaluation assets	5	8,153	8,664
Total assets		276,794	344,989
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities		19,405	27,715
Bank debt	6	74,861	68,833
Derivative contracts	16(a)	130	569
Lease obligations	9	1,354	1,289
Decommissioning liabilities	8	2,214	2,600
Total current liabilities		97,964	101,006
Term debt	7	43,710	43,654
Lease obligations	9	4,282	4,492
Decommissioning liabilities	8	163,720	163,878
Total liabilities		309,676	313,030
<b>EQUITY</b>			
Share capital	10	300,621	300,621
Contributed Surplus		108,297	107,697
Warrants	11	736	736
Deficit		(442,536)	(377,095)
Total equity		(32,882)	31,959
Total liabilities and equity		276,794	344,989

Going concern

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Commitments

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*See accompanying notes.***APPROVED BY THE BOARD***"Signed"* Jeffrey K. Bowers, Director*"Signed"* Alex G. Verge, Director

**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Comprehensive Loss****For the three months ended March 31, 2020 and 2019***(unaudited) (in thousands of Canadian dollars, except per share data)*

	Note	Three months ended March 31,	
		2020	2019
<b>REVENUE</b>			
Petroleum and natural gas sales	17(c)	<b>18,336</b>	28,498
Processing and other income		<b>829</b>	658
Royalties		<b>(2,696)</b>	(3,266)
Gain (loss) on derivative contracts	16(a)	<b>11,974</b>	(1,597)
Net Revenue		<b>28,443</b>	24,293
<b>EXPENSES</b>			
Operating		<b>12,590</b>	12,485
Transportation		<b>452</b>	412
General and administrative	16(b)(i)	<b>3,479</b>	2,225
Share based compensation	12	<b>600</b>	820
Exploration and evaluation	5	<b>478</b>	386
Impairment of oil and gas assets	4	<b>60,923</b>	-
Depletion and depreciation	4	<b>12,221</b>	8,458
Transaction costs		<b>1</b>	7
Finance	13	<b>3,140</b>	3,587
Total expenses		<b>93,884</b>	28,380
<b>NET LOSS BEFORE TAXES</b>		<b>(65,441)</b>	(4,087)
Deferred income tax	14	-	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(65,441)</b>	(4,087)
<b>NET LOSS PER SHARE</b>			
Basic	15	<b>(1.52)</b>	(0.10)
Diluted		<b>(1.52)</b>	(0.10)

*See accompanying notes.*

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**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Changes in Equity (unaudited)***(in thousands of Canadian dollars)*

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	Note	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2020		300,621	107,697	736	(377,095)	31,959
Comprehensive loss		-	-	-	(65,441)	(65,441)
Share based compensation	12	-	600	-	-	600
<b>Balance, March 31, 2020</b>		<b>300,621</b>	<b>108,297</b>	<b>736</b>	<b>(442,536)</b>	<b>(32,882)</b>

		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		-	859	-	-	859
Settlement of restricted share units		18	(32)	-	-	(14)
<b>Balance, March 31, 2019</b>		<b>291,982</b>	<b>108,669</b>	<b>1,702</b>	<b>(349,827)</b>	<b>52,526</b>

**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Cash Flows** *(unaudited)***For the three months ended March 31, 2020 and 2019***(in thousands of Canadian dollars)*

		Three months ended	
	Note	2020	March 31, 2019
<b>THE FOLLOWING ACTIVITIES:</b>			
<b>OPERATING</b>			
Net loss		<b>(65,441)</b>	(4,087)
Adjustments for:			
Unrealized loss (gain) on derivative contracts	16(a)	<b>(9,655)</b>	1,317
Share based compensation	12	<b>600</b>	820
Depletion and depreciation	4	<b>12,221</b>	8,458
Accretion of decommissioning liabilities	8	<b>544</b>	912
Accretion of term debt	7	<b>43</b>	210
Accretion of lease obligations	13	<b>81</b>	94
Exploration and evaluation expense	5	<b>478</b>	386
Impairment of oil and gas assets	4	<b>60,923</b>	-
Decommissioning costs incurred	8	<b>(386)</b>	(226)
Changes in non-cash working capital	17(a)	<b>1,911</b>	(1,571)
Cash flow provided by operating activities		<b>1,319</b>	6,313
<b>FINANCING</b>			
Changes in bank debt	6	<b>5,978</b>	(9)
Settlement of restricted share units		-	(15)
Lease obligation payments	9	<b>(417)</b>	(395)
Changes in non-cash working capital	17(a)	<b>63</b>	41
Cash flow used in financing activities		<b>5,624</b>	(378)
<b>INVESTING</b>			
Additions to property, plant and equipment	4	<b>(3,125)</b>	(678)
Additions to exploration and evaluation assets	5	<b>(138)</b>	(47)
Additions to administrative assets	4	-	(4)
Acquisition of property, plant and equipment and exploration and evaluation assets		<b>(29)</b>	(231)
Disposition of property, plant and equipment and exploration and evaluation assets		<b>16</b>	-
Changes in non-cash working capital	17(a)	<b>(3,667)</b>	(185)
Cash flow used in investing activities		<b>(6,943)</b>	(1,145)
<b>NET INCREASE (DECREASE) TO CASH</b>		-	4,790
<b>CASH, BEGINNING OF PERIOD</b>		-	-
<b>CASH, END OF PERIOD</b>		-	4,790
Supplementary cash flow information	17 (b)		
<i>See accompanying notes.</i>			

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2020 and 2019**  
*(thousands, except per share data)*

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**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’s 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 - 10<sup>th</sup> Avenue SW, Calgary, Alberta, Canada.

**2. BASIS OF PRESENTATION AND GOING CONCERN**

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, 2019, 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, 2019, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended March 31, 2020 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on May 19, 2020.

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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices declined significantly due to a dispute between major oil producing countries combined with a collapse in demand due to the impact of the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Corporation including:

- material declines in revenue and cash flows resulting from the collapse in commodity prices and production levels;
- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;
- inability to comply with debt covenants and restrictions in lending agreements (discussed further below);
- increased risk of non-payment of accounts receivable and customer defaults;
- restructuring charges as the Company aligns its structure and personnel to the dynamic environment; and

- the current economic and commodity pricing environment further jeopardizes the Company's ability to continue as a going concern.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There are material uncertainties that cast significant doubt as to the Company's ability to continue as a going concern including how the Company's syndicated credit facilities will be administered going forward. At March 31, 2020, bank debt outstanding on the Company's lines of credit aggregated \$74.9 million (Note 6). The maximum amount available on the lines of credit was \$77 million. On April 24, 2020 Journey and its syndicate of banks entered into a forbearance agreement. The terms of the agreement include holding the bank line at \$77 million until the termination of the agreement May 29<sup>th</sup>, 2020, at which time the forbearance will be re-evaluated. Should the forbearance agreement not be extended by the lenders, the amounts drawn on the facilities would become due May 29, 2020.

The Company is required to maintain a Liability Management Rating greater than 1.9 under the terms of its syndicated credit facilities and 2.0 under the terms of the second-lien term debt instrument. The Company was in compliance with this requirement at March 31, 2020. The Company is near the minimum amount required under the terms of the credit agreements. There is a risk of not being able to maintain the required Liability Management Rating ratios as the deemed asset value used in the calculation may reduce over time due to the decline in both production and commodity pricing, and the Company has limited available funds available to execute on its remediation and abandonment program. The Company has applied for funding under a recent program announced by the Federal Government to reclaim and abandon certain properties. This program, if the Company can access funds, could improve the Liability Management Rating.

The Company is highly dependent on its lenders (both the banking syndicate and the term debt holder). There is risk that the Company may need to seek creditor protection should the lenders not extend the forbearance agreement or if the lenders materially alters, reduce or demand repayment of the outstanding obligations.

Considerable actions have been taken to maintain the Company's liquidity including refinancing the term debt and extending certain maturity dates (Note 7); issuing common shares in 2019 for net proceeds of \$7,236 (Note 10); reducing the capital program and continuing a commodity hedging program. During this intervening period, it is currently anticipated that the industry will receive more clarity around the Federal Government's support programs for the oil and gas sector.

No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that may be necessary should the Company not continue as a going concern. These adjustments, if made, could be material.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### Accounting Standards adopted in 2020

There were no new IFRS accounting standards adopted in 2020.

#### Future Changes in Accounting Standards

There were no new or amended accounting standards or interpretations issued during the period ended March 31, 2020 that will materially affect the Company's future reporting periods.

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right of use assets	Other assets	Total
Balance, January 1, 2019	1,263,314		4,328	1,267,642
Additions	19,829	6,714	12	26,555
Acquisition of property, plant and equipment	249	-	-	249
Changes in decommissioning obligations	(16,556)	-	-	(16,556)
Capitalized share-based compensation	387	-	-	387
Dispositions of property, plant and equipment	(485)	-	-	(485)
Transfer from exploration and evaluation	3,225	-	-	3,225
Balance, December 31, 2019	1,269,963	6,714	4,340	1,281,017
Additions	3,125	191	-	3,316
Changes in decommissioning obligations	(702)	-	-	(702)
Dispositions of property, plant and equipment	(16)	-	-	(16)
Transfer from exploration and evaluation	200	-	-	200
<b>Balance, March 31, 2020</b>	<b>1,272,570</b>	<b>6,905</b>	<b>4,340</b>	<b>1,283,815</b>

	Petroleum and natural gas assets	Right of use assets	Other assets	Total
<b>Accumulated depletion, depreciation and impairment losses</b>				
Balance, January 1, 2019	(921,791)	-	(4,043)	(925,834)
Provision for the year	(33,945)	(1,342)	(86)	(35,373)
Balance, December 31, 2019	(955,736)	(1,342)	(4,129)	(961,207)
Provision for the period	(11,855)	(349)	(17)	(12,221)
Impairment	(60,923)	-	-	(60,923)
<b>Balance, March 31, 2020</b>	<b>(1,028,514)</b>	<b>(1,691)</b>	<b>(4,146)</b>	<b>(1,034,351)</b>

	Petroleum and natural gas assets	Right of use assets	Other assets	Total
<b>Carrying Amounts, as at</b>				
December 31, 2019	314,227	5,372	211	319,810
<b>March 31, 2020</b>	<b>244,056</b>	<b>5,214</b>	<b>194</b>	<b>249,464</b>

Future development costs on reserves of \$188,989 (December 31, 2019 - \$255,709) were included in the depletion calculation. During the period ended March 31, 2020, the Company capitalized \$ nil (December 31, 2019 - \$519) for salaries, wages and benefits, and \$ nil (December 31, 2019 - \$387) of share based compensation that was directly related to development drilling activities.

At March 31, 2020, the Company assessed whether there were indicators of impairment. The assessment factored in reserves, change in commodity prices since December 31, 2019, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined that impairment indicators were present for all CGU's and as a result, the CGU's were tested for impairment. It was ultimately determined that the carrying amount of the Crystal and Countess CGU's had not exceeded their recoverable amount and therefore there was no impairment. Cherhill, Herronton, Gilby, Pembina, Pine Creek, Skiff and Matziwin CGU's were found to be impaired

as the carrying value exceeded the recoverable amount. The recoverable amount was calculated as the fair value of the assets less cost of disposal in an assumed asset sale. The fair value less costs to dispose was determined using a discounted cash flow approach based on the March 31, 2020 internal reserve evaluation of proved plus probable reserves and using an average of three major independent reserve engineer's forecast commodity prices. Journey used an after-tax risk adjusted discount rate that was based on the nature of the assets held in the CGU to determine the fair value at the measurement date.

The table below summarizes the benchmark prices for the next thirteen years used by the independent reserve evaluators in preparing the Company's March 31, 2020 internal reserve evaluation.

	<b>WTI Cushing Oklahoma (\$US/bbl)</b>	<b>MSW Light Edmonton 40 API (\$CDN/bbl)</b>	<b>Alberta AECO-spot (\$CDN/mmbtu)</b>	<b>Foreign Exchange (\$US/\$CDN)</b>
2020	29.17	29.22	1.74	0.7067
2021	40.45	46.85	2.20	0.7283
2022	49.17	59.27	2.37	0.7450
2023	53.28	65.02	2.45	0.7467
2024	55.66	68.43	2.52	0.7483
2025	56.87	69.81	2.60	0.7500
2026	58.01	71.24	2.66	0.7500
2027	59.17	72.70	2.72	0.7500
2028	60.35	74.19	2.79	0.7500
2029	61.56	75.71	2.85	0.7500
2030	62.79	77.22	2.91	0.7500
2031	64.05	78.76	2.97	0.7500
2032	65.33	80.34	3.03	0.7500

The annual escalation rate used after 2032 is 2.0%.

<b>CGU description</b>	<b>Recoverable amount</b>	<b>Risk adjusted discount rate</b>	<b>Impairment</b>
Matziwin	33,797	15.0	14,470
Gilby	4,440	15.0	17,823
Herronton	6,715	15.0	7,793
Cherhill	16,030	15.0	8,169
Skiff	27,673	15.0	6,076
Pembina	635	15.0	2,692
Pine Creek	-	15.0	3,900
	89,290		60,923

The impairment in these seven CGUs was primarily attributable to the decline in oil prices as used in the internal reserve evaluation. A one percent increase in the assumed discount rate would result in an additional impairment of \$6,076 for 2020 while a ten percent decrease in future planned cash flows would have increased the impairment for 2020 by \$8,820.



**5. EXPLORATION AND EVALUATION ASSETS**

Balance, January 1, 2019	13,410
Additions	267
Acquisitions	659
Lease expiries	(1,209)
Transfer to property, plant and equipment	(3,225)
Impairment	(1,238)
<b>Balance, December 31, 2019</b>	<b>8,664</b>
Additions	138
Acquisitions	29
Transfer to property, plant and equipment	(200)
Lease expiries	(478)
<b>Balance, March 31, 2020</b>	<b>8,153</b>

**6. BANK DEBT**

Journey currently has a credit facility of \$77,000 with a syndicate of banks (December 31, 2019 - \$79,000) of which \$74,878 was drawn at March 31, 2020 (December 31, 2019 - \$68,900). The facility is comprised of a revolving facility of \$62,000 and a working capital facility of \$15,000. Pursuant to an amendment to the credit facility on December 12, 2019, the then \$80,000 credit facility was to have reduced by \$1,000 per month from December 31, 2019 to April 30, 2020. The reductions were stopped on February 28, 2020 and the credit facility remained at \$77,000 until April 24<sup>th</sup> when Journey and its syndicate of banks entered into a forbearance agreement. The terms of the agreement include holding the bank line at \$77 million until the termination of the agreement May 29, 2020, at which time the forbearance will be re-evaluated. Should the forbearance agreement not be extended at May 29<sup>th</sup> all amounts outstanding under the facility would become due and payable.

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 defined in the credit facility and 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 three months ended March 31, 2020 was 8.0% (7.4% for the period ended March 31, 2019). At March 31, 2020 the Company had an outstanding letter of credit in the amount of \$65 that expires June 30, 2020.

The credit facilities are secured by a \$500,000 fixed and floating charge debenture over all assets of Journey. Under the forbearance agreement there are certain non-financial covenants. Journey is in compliance with all of these covenants.

	<b>March 31, 2020</b>	December 31, 2019
Bank indebtedness	<b>1,878</b>	3,900
Revolving credit facility	<b>73,000</b>	65,000
Deferred financing fees	<b>(17)</b>	(67)
<b>Balance, at end of period</b>	<b>74,861</b>	68,833

## 7. TERM DEBT

The Company has a second-lien, term debt instrument of \$44,000 comprised of two tranches of \$22,000. The first tranche matures on September 30, 2023 and bears interest at the rate of 11.5% per annum. The second tranche matures on September 30, 2022 and bears interest at the rate of 7.65% per annum.

The notes are secured by a floating charge debenture over all of the Company's assets and are subordinate to any current or future claims under the banking credit facility (Note 6).

	Tranche 1	Tranche 2	Total
Balance, January 1, 2019	28,915	20,521	49,436
Repayment	(8,000)	-	(8,000)
Change in fair value on restructuring	1,539	-	1,539
Debt modification expense	(52)	-	(52)
Accretion	355	331	686
Amortization of deferred issuance expenses	30	15	45
Balance, December 31, 2019	22,787	20,867	43,654
Accretion	(46)	89	43
Amortization of deferred issuance expenses	10	3	13
Balance, March 31, 2020	22,751	20,959	43,710

## 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, 2020 to be \$191,923 (December 31, 2019 - \$191,923) the majority of which, will be incurred at various times between 2021 and 2070. The present value of the future liability at March 31, 2020 has been discounted using an inflation adjusted interest rate of 0.4% (December 31, 2019 - 0.4%), which is comprised of a risk-free discount rate of 1.3% less an assumed inflation rate of 0.9%. As at March 31, 2020, no funds have been specifically set aside to settle these obligations, rather the decommissioning obligations will be funded from future cash flows from operations.

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

	March 31, 2020	December 31, 2019
Balance, beginning of period	166,478	181,849
Liabilities acquired	-	8
Revaluation of liabilities acquired <sup>(1)</sup>	-	22
Incurred on development activities	-	886
Liabilities settled	(386)	(2,236)
Revisions to estimates <sup>(2)</sup>	-	(61,985)
Changes in discount rate	(702)	44,513
Accretion	544	3,421
Balance, end of period	165,934	166,478

<sup>(1)</sup> 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.

<sup>(2)</sup> The change in inflation and discount rate assumptions amounted to (\$69,456) of the revision to estimates in 2019.

## 9. LEASE OBLIGATIONS

The present value of Journey's lease obligations was as follows at the respective period ends:

	Current	Long-term	Total
Lease obligations, January 1, 2019	1,219	5,700	6,919
Additions	45	75	120
Lease payments	-	(1,613)	(1,613)
Accretion	25	330	355
Lease obligations, December 31, 2019	1,289	4,492	5,781
Additions	59	132	191
Lease payments	-	(417)	(417)
Accretion	6	75	81
Lease obligations, March 31, 2020	1,354	4,282	5,636

The Company used a rate of 5.5% to discount the future lease liabilities where the lease did not specify a rate. Rates used range from 5.5 to 6.2%. The undiscounted lease liability at March 31, 2020 is \$6,160 (December 19, 2019 - \$6,486).

## 10. SHARE CAPITAL

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

<b>COMMON SHARES</b>	<b>Number</b>	<b>\$</b>
Balance, January 1, 2019	39,218	291,964
Issued on exercise of stock options	24	64
Issued on settlement of PSU's and RSU's	1,054	2,222
Flow-through share issuance, net of issue costs	2,791	7,236
Premium on flow-through shares	-	(865)
<b>Balance, December 31, 2019 and March 31, 2020</b>	<b>43,087</b>	<b>300,621</b>

## 11. WARRANTS

	<b>Number</b>	<b>\$</b>
Balance, January 1, 2019	2,310	1,702
Surrendered	(2,310)	(1,702)
Issued, net of deferred tax	1,137	736
<b>Balance, December 31, 2019 and March 31, 2020</b>	<b>1,137</b>	<b>736</b>

The warrants are convertible into common shares on a one for one basis with an exercise price of \$3.15 per warrant and expire on September 30, 2022.

## 12. SHARE BASED COMPENSATION

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

During the period ended March 31, 2020 \$597 (2019 - \$815) 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, 2019	2,278	894
Granted	625	378
Exercised	(1,125)	(236)
Forfeited	(25)	-
<b>Balance at December 31, 2019 and March 31, 2020</b>	<b>1,753</b>	<b>1,036</b>

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, 2019	1,307	2.93	891
Expired	(122)	11.13	(122)
Exercised	(24)	1.97	(24)
<b>Balance at December 31, 2019 and March 31, 2020</b>	<b>1,161</b>	<b>2.05</b>	<b>1,146</b>

During the periods ended March 31, 2020 \$nil (2019 - \$39) of share-based compensation expense was capitalized with respect to long-term incentives issued to technical personnel. Share based compensation expense is comprised of the following:

	Three months ended March 31,	
	2020	2019
Stock option expense	3	44
PSU and RSU expense	597	815
Total share based compensation expense	600	859
Less: capitalized portion	-	(39)
Share based compensation expense	600	820

13. FINANCE EXPENSE

	Three months ended March 31,	
	2020	2019
Interest and bank charges	2,472	2,371
Accretion of lease obligations	81	94
Accretion of decommissioning liabilities	544	912
Accretion of term debt	43	210
Total finance expense	3,140	3,587

#### 14. DEFERRED INCOME TAX

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, 2020 and 2019 are accounted for as follows:

	Three months ended March 31,	
	2020	2019
Net loss before taxes	(65,441)	(4,087)
Expected income taxes, at the statutory rate of 25.5% (2019 – 27.0%)	(16,687)	(1,103)
Tax effect of non-deductible and non-taxable amounts related to:		
Share based compensation expense	162	229
Non-deductible items	1	57
Deferred tax asset not recognized	16,524	817
Deferred income tax expense	-	-

Alberta corporate income tax rates were reduced effective July 1, 2019 by 1% for 2019, and an additional 1% in each of 2020, 2021 and 2022.

#### 15. PER SHARE AMOUNTS

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

	Three months ended March 31,	
	2020	2019
Net loss	(65,441)	(4,087)
Weighted average shares outstanding - basic	43,087	39,226
Weighted average shares outstanding - diluted	43,087	39,226
Net loss per share – basic	\$ (1.52)	\$ (0.10)
Net loss per share – diluted	\$ (1.52)	\$ (0.10)

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 were excluded from diluted earnings per share as the Company reported a net loss for these periods and to include them would be anti-dilutive.

## 16. FINANCIAL INSTRUMENTS

### (a) Derivative contracts

Journey has the following financial derivative transactions outstanding at March 31, 2020.

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term	Asset (liability)
Call	500	WTI NYMEX	CDN\$87.00	April 1, 2020 to December 31, 2020	26
Swap	500	WTI NYMEX	CDN\$74.25	January 1, 2020 to September 30, 2020	3,142
Collar	500	WTI NYMEX	CDN\$66.00-81.00	January 1, 2020 to December 31, 2020	3,344
Swap	250	WCS/USD	(\$15.50)	April 1, 2020 to September 30, 2020	(46)
Swap	250	WCS/USD	(\$15.45)	April 1, 2020 to September 30, 2020	(43)
Swap	500	NGX index	USD\$6.50	January 1, 2020 to December 31, 2020	730
Swap	500	WTI NYMEX	CDN\$81.50	February 1, 2020 to June 30, 2020	2,087
<b>Total oil derivative contracts fair value</b>					<b>9,240</b>
Gas contracts	Volume GJ/d	Pricing point	Strike price per GJ	Term	Asset (liability)
Collar	5,000	AECO	CDN\$1.40-1.75	April 1, 2020 to October 31, 2020	(41)
<b>Total gas derivative contracts fair value</b>					<b>(41)</b>
<b>Total derivative contracts fair value</b>					<b>9,199</b>

A 10% change in the respective commodity prices would have impacted the pre-tax net loss by the following amounts as at March 31, 2020:

Commodity	10% increase	10% decrease
Oil	(1,211)	1,211
Gas	(4)	4

The gain (loss) on derivative contracts for the periods ended March 31, 2020 and 2019 was as follows:

	Three months ended March 31,	
	2020	2019
Realized	2,319	(280)
Unrealized	9,655	(1,317)
	<b>11,974</b>	<b>(1,597)</b>

### (b) 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 25<sup>th</sup> day of the month following the 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:

	<b>2020</b>	2019
Accounts receivable	<b>8,246</b>	15,193
Derivative contracts	<b>9,329</b>	113
<b>Total</b>	<b>17,575</b>	15,306

For the period ended March 31, 2020, Journey determined that \$2,365 (2019 - \$530) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At March 31, 2020 Journey assessed its provision for uncollectable accounts and adjusted to \$2,459 (2019 - \$618). Accounts receivable balances outstanding greater than ninety days at March 31, 2020 were \$1,434 (2019 - \$1,570). The primary reason for the increase in the provision resulted from a dispute with one of the Company's purchasers of natural gas. Effective April 1, 2020 Journey is no longer selling natural gas to this marketer as the Company considered the purchaser to be in breach of their contract. The marketer may dispute Journey's right to terminate the contract early. The outcome of this dispute currently is neither, quantifiable or estimable.

(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, 2020 would result in a \$749 change to annual pre-tax net 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. Journey mitigates this risk by management of cash and debt. 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. See discussion on liquidity risk in notes 2, 6 and 7.

The following table details Journey's financial liabilities as at March 31, 2020:

	<b>&lt; 1year</b>	<b>1 - 2 years</b>	<b>3 – 5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	19,405	-	-	<b>19,405</b>
Derivative contracts	130	-	-	<b>130</b>
Bank debt and bank indebtedness	74,878	-	-	<b>74,878</b>
Term debt - principal	-	-	44,000	<b>44,000</b>
Interest on bank debt	2,598	-	-	<b>2,598</b>
Interest on term debt	4,205	4,213	4,857	<b>13,275</b>
	<b>101,216</b>	<b>4,213</b>	<b>48,857</b>	<b>154,286</b>

## 17. SUPPLEMENTAL INFORMATION

### a) Changes in non-cash working capital

	Three months ended March 31,	
Sources (uses) of funds:	2020	2019
Accounts receivable	6,947	(6,128)
Prepaid expenses and deposits	(393)	(348)
Deferred financing charge	63	41
Deferred lease obligation	-	-
Accounts payable and accrued liabilities	(8,310)	4,720
	<b>(1,693)</b>	<b>(1,715)</b>
<u>Related to:</u>		
Operating activities	1,911	(1,571)
Financing activities	63	41
Investing activities	(3,667)	(185)
	<b>(1,693)</b>	<b>(1,715)</b>

### b) Supplementary cash flow information

	Three months ended March 31,	
	2020	2019
Interest paid	1,232	1,422

### c) Revenue by product type

	Three months ended March 31,	
	2020	2019
Crude oil	13,873	20,253
Natural gas	3,230	6,586
Natural gas liquids	1,233	1,659
Petroleum and natural gas sales	<b>18,336</b>	<b>28,498</b>

## 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	2020	2021 - 2022
Natural gas transportation	564	389	175

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, syndicated credit facility, term debt 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 managing 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 to it throughout the year as a result of drilling successes, 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 as needed, changes in commodity prices, and drilling successes. Given the volatile commodity price environment resulting from the COVID-19 pandemic, 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.