JOURNEY ENERGY INC.

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

(in thousands of Canadian dollars)

	Note	**June 30, 2020**	December 31, 2019
ASSETS			
CURRENT			
Accounts receivable		**8,922**	15,193
Prepaid expenses and deposits		**1,918**	1,209
Derivative contracts	16(a)	**2,166**	113
Total current assets		**13,006**	16,515
Property, plant and equipment	4	**268,244**	319,810
Exploration and evaluation assets	5	**8,232**	8,664
Total assets		**289,482**	344,989
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**16,863**	27,715
Bank debt	6	**74,297**	68,833
Derivative contracts	16(a)	**406**	569
Lease obligations	9	**1,365**	1,289
Decommissioning liabilities	8	**2,227**	2,600
Total current liabilities		**95,158**	101,006
Term debt	7	**46,080**	43,654
Lease obligations	9	**3,934**	4,492
Decommissioning liabilities	8	**192,138**	163,878
Total liabilities		**337,310**	313,030
EQUITY			
Share capital	10	**300,621**	300,621
Contributed Surplus		**108,840**	107,697
Warrants	11	**736**	736
Deficit		**(458,025)**	(377,095)
Total equity		**(47,828)**	31,959
Total liabilities and equity		**289,482**	344,989
Going concern	2		
Commitments	18		

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 and six months ended June 30, 2020 and 2019
(unaudited) (in thousands of Canadian dollars, except per share data)

	Note	Three months ended June30,		Six months ended June 30,	
		2020	2019	**2020**	2019
REVENUE					
Petroleum and natural gas sales	17(c)	**11,166**	27,400	**29,502**	55,898
Processing and other income		**628**	701	**1,457**	1,359
Royalties		**(673)**	(3,216)	**(3,369)**	(6,482)
Gain (loss) on derivative contracts	16(a)	**(3,076)**	314	**8,898**	(1,283)
Net revenue		**8,045**	25,199	**36,488**	49,492
EXPENSES					
Operating		**8,684**	12,863	**21,274**	25,348
Transportation		**286**	370	**738**	782
General and administrative	16(b)(i)	**471**	1,669	**3,950**	3,894
Share based compensation	12	**543**	781	**1,143**	1,601
Exploration and evaluation	5	**8**	66	**486**	452
Impairment of oil and gas assets	4	**-**	-	**60,923**	-
Depletion and depreciation	4	**10,116**	8,824	**22,337**	17,282
Transaction costs		**1**	10	**2**	17
Finance	13	**3,425**	3,574	**6,565**	7,161
Total expenses		**23,534**	28,157	**117,418**	56,537
NET LOSS BEFORE TAXES		**(15,489)**	(2,958)	**(80,930)**	(7,045)
Deferred income tax	14	**-**	9,601	**-**	9,601
NET LOSS AND COMPREHENSIVE LOSS		**(15,489)**	(12,559)	**(80,930)**	(16,646)
NET LOSS PER SHARE	15				
Basic		**(0.36)**	(0.32)	**(1.88)**	(0.42)
Diluted		**(0.36)**	(0.32)	**(1.88)**	(0.42)

See accompanying notes.

JOURNEY ENERGY INC.

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

	Note	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2020		300,621	107,697	736	(377,095)	31,959
Comprehensive loss		-	-	-	(80,930)	(80,930)
Share based compensation	12	-	1,143	-	-	1,143
Balance, June 30, 2020		**300,621**	**108,840**	**736**	**(458,025)**	**(47,828)**

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2019	291,964	107,842	1,702	(345,740)	55,768
Comprehensive loss	-	-	-	(16,646)	(16,646)
Share based compensation	-	1,679	-	-	1,679
Exercise of stock options	64	(17)	-	-	47
Settlement of restricted share units	42	(72)	-	-	(30)
Balance, June 30, 2019	292,070	109,432	1,702	(362,386)	40,818

JOURNEY ENERGY INC.

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

For the three and six months ended June 30, 2020 and 2019

(in thousands of Canadian dollars)

	Note	Three months ended June 30, **2020**	Three months ended June 30, 2019	Six months ended June 30, **2020**	Six months ended June 30, 2019
THE FOLLOWING ACTIVITIES:					
OPERATING					
Net loss		**(15,489)**	(12,559)	**(80,930)**	(16,646)
Adjustments for:					
Unrealized loss (gain) on derivative contracts	16(a)	**7,439**	(357)	**(2,216)**	960
Share based compensation	12	**543**	781	**1,143**	1,601
Depletion and depreciation	4	**10,116**	8,824	**22,337**	17,282
Accretion of decommissioning liabilities	8	**476**	887	**1,020**	1,799
Accretion of term debt	7	**43**	213	**86**	423
Accretion of lease obligations	13	**76**	90	**157**	184
Exploration and evaluation expense	5	**8**	66	**486**	452
Impairment of oil and gas assets	4	**-**	-	**60,923**	-
Deferred income tax expense		**-**	9,601	**-**	9,601
Decommissioning costs incurred	8	**12**	(83)	**(374)**	(309)
Changes in non-cash working capital	17(a)	**(597)**	(1,991)	**1,314**	(3,562)
Cash flow provided by operating activities		**2,627**	5,472	**3,946**	11,785
FINANCING					
Changes in bank debt	6	**(581)**	(8,000)	**5,397**	(8,009)
Settlement of restricted share units		**-**	(17)	**-**	(32)
Exercise of stock options		**-**	47	**-**	47
Lease obligation payments	9	**(413)**	(398)	**(830)**	(793)
Changes in non-cash working capital	17(a)	**31**	21	**94**	62
Cash flow used in financing activities		**(963)**	(8,347)	**4,661**	(8,725)
INVESTING					
Additions to property, plant and equipment	4	**(953)**	(8,084)	**(4,078)**	(8,762)
Additions to exploration and evaluation assets	5	**(83)**	(7)	**(221)**	(54)
Additions to administrative assets	4	**-**	(2)	**-**	(6)
Acquisition of property, plant and equipment and exploration and evaluation assets		**(4)**	(205)	**(33)**	(436)
Disposition of property, plant and equipment and exploration and evaluation assets		**-**	485	**16**	485
Changes in non-cash working capital	17(a)	**(624)**	6,233	**(4,291)**	6,048
Cash flow used in investing activities		**(1,664)**	(1,580)	**(8,607)**	(2,725)
NET INCREASE (DECREASE) TO CASH		**-**	(4,455)	**-**	335
CASH, BEGINNING OF PERIOD		**-**	4,790	**-**	-
CASH, END OF PERIOD		**-**	335	**-**	335
Supplementary cash flow information	17 (b)				

See accompanying notes.

1. INCORPORATION AND NATURE OF BUSINESS

Journey Energy Inc. ("Journey" or "the Company"), is a publicly traded company engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta, Canada. Journey'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 - 10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION AND GOING CONCERN

Going Concern

As discussed further below, the maturity date of the bank credit facility is August 7, 2020 and if the maturity date is not extended by the lenders, they have the right to demand repayment on that date. Should the Company be unable to repay the bank debt on its maturity date or if called by the lenders, it would trigger a default under the second-lien term debt enabling the second-lien lenders to demand repayment of all outstanding amounts. The Company may be required to seek formal creditor protection in the very near term. As a result, there is material uncertainties surrounding the Company's ability to continue as a going concern that creates significant doubt as to the ability of the Company to meet is obligations as they come due. Therefore, the Company may be unable to realize it assets and discharge its liabilities in the normal course of business.

These condensed, consolidated, interim financial statements (the "Financial Statements"), including prior year comparative information, 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 and due to the current forbearance period, which ends on August 7, 2020. At June 30, 2020, bank debt outstanding on the Company's lines of credit aggregated $74.3 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, which has been extended three times. The terms of the forbearance agreements include holding the bank line at $77 million until the termination of the current agreement on August 7, 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 immediately due. Should the Company be unable to repay the bank debt on its maturity date or if called by the lenders, it would trigger a default under the second-lien term debt enabling second-lien lenders to demand repayment of all outstanding amounts.

The Company is required to maintain a Liability Management Rating greater than 1.9 under the terms of its syndicated credit facilities and the terms of the second-lien term debt instrument. The Company was in compliance with this requirement at June 30th, 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 alter, reduce or demand repayment of the outstanding obligations. Due to the facts and circumstances detailed above, coupled with considerable economic instability and uncertainty in the oil and gas industry which negatively impacts operating cash flows and lender sentiment, there remains considerable risk around the Company's ability to address its liquidity shortfalls and upcoming maturities. As a result, there are material uncertainties surrounding the Company's ability to continue as a going concern.

The Company will continue to work with the various lenders to extend the forbearance agreement to enable the Company additional time to determine alternative financing or strategic options for the Company. 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.

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.

Covid-19 Pandemic

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 above);
- 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.

Basis of Presentation

These 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 June 30, 2020 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on August 4, 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.

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 June 30, 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	4,078	191	-	4,269
Changes in decommissioning obligations	27,241	-	-	27,241
Dispositions of property, plant and equipment	(16)	-	-	(16)
Transfer from exploration and evaluation	200	-	-	200
Balance, June 30, 2020	**1,301,466**	**6,905**	**4,340**	**1,312,711**

	Petroleum and natural gas assets	Right of use assets	Other assets	Total
Accumulated depletion, depreciation and impairment losses				
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	(21,607)	(698)	(32)	(22,337)
Impairment	(60,923)	-	-	(60,923)
Balance, June 30, 2020	**(1,038,266)**	**(2,040)**	**(4,161)**	**(1,044,467)**

	Petroleum and natural gas assets	Right of use assets	Other assets	Total
Carrying Amounts, as at				
December 31, 2019	314,227	5,372	211	319,810
June 30, 2020	**263,200**	**4,865**	**179**	**268,244**

Future development costs for proved and probable reserves of $214,824 (December 31, 2019 - $255,709) were included in the depletion calculation. During the period ended June 30, 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 each reporting period, the Company assesses 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 as at June 30, 2020. As at March 31, 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.

	WTI Cushing Oklahoma ($US/bbl)	MSW Light Edmonton 40 API ($CDN/bbl)	Alberta AECO-spot ($CDN/mmbtu)	Foreign Exchange ($US/$CDN)
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%.

CGU description	**Recoverable amount**	**Risk adjusted discount rate**	**Impairment**
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)
Balance, December 31, 2019	8,664
Additions	221
Acquisitions	33
Transfer to property, plant and equipment	(200)
Lease expiries	(486)
Balance, June 30, 2020	**8,232**

6. BANK DEBT

Journey currently has a credit facility of $77,000 with a syndicate of banks (December 31, 2019 - $79,000) of which $74,297 was drawn at June 30, 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 be 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 24th 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 current agreement, which is currently set at August 7, 2020, at which time the forbearance will be re-evaluated. Should the forbearance agreement not be extended at August 7th, 2020 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 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 non-financial covenants.

The effective annualized interest rate on the credit facility for the three and six months ended June 30, 2020 was 8.5% and 8.2% respectively (7.7% and 7.5% for the three and six periods ended June 30, 2019).

	June 30, 2020	December 31, 2019
Bank indebtedness	**1,297**	3,900
Revolving credit facility	**73,000**	65,000
Deferred financing fees	**-**	(67)
Balance, at end of period	**74,297**	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. On June 30, 2020 the term debt agreement was amended to allow the holder to capitalize the $2,095 of semi-annual interest payment due on that date. In addition, an amount of interest of $218 was incurred by Journey as consideration for the amendment. This amount was also added to the principal amount outstanding. 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**
Capitalized interest	1,367	946	**2,313**
Accretion	(92)	178	**86**
Amortization of deferred issuance expenses	20	7	**27**
Balance, June 30, 2020	24,082	21,998	**46,080**

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 June 30, 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 June 30, 2020 has been discounted using an inflation adjusted interest rate of nil% (December 31, 2019 – 0.4%), which is comprised of a risk-free discount rate of 1.0% less an assumed inflation rate of 1.0%. As at June 30, 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:

	June 30, 2020	December 31, 2019
Balance, beginning of period	**166,478**	181,849
Liabilities acquired	**-**	8
Revaluation of liabilities acquired[(1)]	**-**	22
Incurred on development activities	**-**	886
Liabilities settled	**(374)**	(2,236)
Revisions to estimates[(2)]	**-**	(61,985)
Changes in discount rate	**27,241**	44,513
Accretion	**1,020**	3,421
Balance, end of period	**194,365**	166,478

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

(2) 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
Balance, January 1, 2019	1,219	5,700	6,919
Additions	45	75	120
Lease payments	-	(1,613)	(1,613)
Accretion	25	330	355
Balance, December 31, 2019	1,289	4,492	5,781
Additions	59	132	191
Lease payments	-	(830)	(830)
Accretion	17	140	157
Balance, June 30, 2020	1,365	3,934	5,299

Where the rate was stipulated, the rates range from 5.5 to 6.2 The Company used a rate of 5.5% to discount the future lease liabilities where the lease did not specify a rate. The undiscounted lease liability at June 30, 2020 is $5,745 (December 19, 2019 - $6,486) for the leases.

10. SHARE CAPITAL

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

COMMON SHARES	**Number**	**$**
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)
Balance, December 31, 2019 and June 30, 2020	**43,087**	**300,621**

11. WARRANTS

	Number	$
Balance, January 1, 2019	2,310	1,702
Surrendered	**(2,310)**	**(1,702)**
Issued, net of deferred tax	**1,137**	**736**
Balance, December 31, 2019 and June 30, 2020	**1,137**	**736**

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 June 30, 2020 $1,139 (2019 – $1,607) 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)	-
Balance at December 31, 2019	1,753	1,036
Forfeited	(22)	(10)
Balance at June 30, 2020	**1,731**	**1,026**

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)
Balance at December 31, 2019	1,161	2.05	1,146
Forfeited	(16)	2.02	(16)
Balance at June 30, 2020	**1,145**	**2.05**	**1,138**

During the periods ended June 30, 2020 $nil (2019 - $78) 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 June 30,		Six months ended June30,	
	2020	2019	**2020**	2019
Stock option expense	**1**	28	**4**	72
PSU and RSU expense	**542**	792	**1,139**	1,607
Total share based compensation expense	**543**	820	**1,143**	1,679
Less: capitalized portion	**-**	(39)	**-**	(78)
Share based compensation expense	**543**	781	**1,143**	1,601

13. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June30,	
	2020	2019	**2020**	2019
Interest and bank charges	**2,830**	2,384	**5,302**	4,755
Accretion of lease obligations	**76**	90	**157**	184
Accretion of decommissioning liabilities	**476**	887	**1,020**	1,799
Accretion of term debt	**43**	213	**86**	423
Total finance expense	**3,425**	3,574	**6,565**	7,161

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 three and six month periods ended June 30, 2020 and 2019 are accounted for as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Net loss before taxes	**(15,489)**	(2,958)	**(80,930)**	(7,045)
Expected income taxes, at the statutory rate of 25.5% (2019 – 26.5%)	**(3,950)**	(784)	**(20,637)**	(1,867)
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	**150**	219	**312**	448
Non-deductible items	**-**	57	**1**	114
Deferred tax asset not recognized	**3,800**	10,109	**20,324**	10,906
Deferred income tax expense	**-**	9,601	**-**	9,601

15. PER SHARE AMOUNTS

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Net loss	**(15,489)**	(12,559)	**(80,930)**	(16,646)
Weighted average shares outstanding - basic	**43,087**	39,247	**43,087**	39,236
Weighted average shares outstanding - diluted	**43,087**	39,247	**43,087**	39,236
Net loss per share – basic	**$ (0.36)**	$ (0.32)	**$ (1.88)**	$ (0.42)
Net loss per share – diluted	**$ (0.36)**	$ (0.32)	**$ (1.88)**	$ (0.42)

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 June 30, 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	13
Swap	500	WTI NYMEX	CDN$74.25	January 1, 2020 to September 30, 2020	953
Collar	500	WTI NYMEX	CDN$66.00-81.00	January 1, 2020 to December 31, 2020	1,200
Swap	250	WCS/USD	($15.50)	April 1, 2020 to September 30, 2020	(94)
Swap	250	WCS/USD	($15.45)	April 1, 2020 to September 30, 2020	(92)
Swap	500	NGX index	USD$6.50	January 1, 2020 to December 31, 2020	(131)
Total oil derivative contracts fair value					**1,849**

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	(89)
Total gas derivative contracts fair value					**(89)**
Total derivative contracts fair value					**1,760**

A 10% change in the respective commodity prices would have impacted the pre-tax net loss by the following amounts as at June 30, 2020:

Commodity	10% increase	10% decrease
Oil	(831)	831
Gas	(9)	9

The gain (loss) on derivative contracts for periods ended June 30, 2020 and 2019 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Realized	**4,363**	(43)	**6,682**	(323)
Unrealized	**(7,439)**	357	**2,216**	(960)
	(3,076)	314	**8,898**	(1,283)

(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 25th 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:

	2020	2019
Accounts receivable	**8,922**	15,193
Derivative contracts	**2,166**	113
Total	**11,088**	15,306

For the period ended June 30, 2020, Journey determined that $2,337 (2019 - $528) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At June 30, 2020 Journey assessed its provision for uncollectable accounts and adjusted to $2,459 (2019 - $608). Accounts receivable balances outstanding greater than ninety days at June 30, 2020 were $1,950 (2019 – $1,573). 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 June 30, 2020 would result in a $743 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 June 30, 2020:

	< 1year	1 - 2 years	3 – 5 years	Total
Accounts payable and accrued liabilities	16,863	-	-	**16,863**
Derivative contracts	406	-	-	**406**
Bank debt and bank indebtedness	74,297	-	-	**74,297**
Term debt - principal	-	-	46,313	**46,313**
Interest on bank debt	2,953	-	-	**2,953**
Interest on term debt	4,436	4,443	4,035	**12,914**
	98,955	4,443	50,348	**153,746**

17. SUPPLEMENTAL INFORMATION

a) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
Sources (uses) of funds:	**2020**	2019	**2020**	2019
Accounts receivable	**(676)**	2,144	**6,271**	(3,984)
Prepaid expenses and deposits	**(316)**	(1,134)	**(709)**	(1,482)
Deferred financing charge	**31**	21	**94**	62
Deferred lease obligation	**-**	-	**-**	-
Accounts payable and accrued liabilities	**(229)**	3,232	**(8,539)**	7,952
	(1,190)	4,263	**(2,883)**	2,548
Related to:				
Operating activities	**(597)**	(1,991)	**1,314**	(3,562)
Financing activities	**31**	21	**94**	62
Investing activities	**(624)**	6,233	**(4,291)**	6,048
	(1,190)	4,263	**(2,883)**	2,548

b) *Supplementary cash flow information*

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Interest paid	**1,296**	1,509	**2,528**	2,931

c) Revenue by product type

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Crude oil	**5,815**	23,209	**19,688**	43,462
Natural gas	**4,754**	2,983	**7,984**	9,569
Natural gas liquids	**597**	1,208	**1,830**	2,867
Petroleum and natural gas sales	**11,166**	27,400	**29,502**	55,898

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	**447**	**272**	**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.