JOURNEY ENERGY INC.

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

(in thousands of Canadian dollars)

	Note	June 30, 2021	December 31, 2020
ASSETS			
CURRENT			
Cash		**9,011**	6,590
Accounts receivable		**11,862**	9,285
Prepaid expenses and deposits		**3,079**	1,575
Total current assets		**23,952**	17,450
Property, plant and equipment	3	**231,082**	262,594
Exploration and evaluation assets	4	**7,670**	7,629
Total assets		**262,704**	287,673
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**13,848**	16,198
Term-debt	6	**13,558**	22,568
Other liability	5	**674**	-
Lease obligations	9	**224**	231
Decommissioning liabilities	8	**1,738**	2,567
Total current liabilities		**30,042**	41,564
Term-debt	6	**62,901**	59,336
Lease obligations	9	**931**	1,040
Other liability	5	**3,403**	1,943
Decommissioning liabilities	8	**183,565**	203,612
Total liabilities		**280,842**	307,495
EQUITY			
Share capital	10	**300,780**	300,758
Contributed Surplus		**109,646**	109,330
Warrants	11	**3,809**	3,809
Deficit		**(432,373)**	(433,719)
Total equity		**(18,138)**	(19,822)
Total liabilities and equity		**262,704**	287,673
Commitments	18		

See accompanying notes.

APPROVED BY THE BOARD

"Signed" **Steve Smith, Director**

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

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)

For the three and six months ended June 30, 2021 and 2020

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

	Note	Three months ended June 30, **2021**	Three months ended June 30, 2020	Six months ended June 30, **2021**	Six months ended June 30, 2020
REVENUE					
Petroleum and natural gas sales	17(c)	**27,521**	11,166	**51,096**	29,502
Processing and other income		**1,666**	628	**4,027**	1,457
Royalties		**(3,779)**	(673)	**(6,310)**	(3,369)
Gain on derivative contracts	16(a)	**-**	(3,076)	**-**	8,898
Net revenue		**25,408**	8,045	**48,813**	36,488
EXPENSES					
Operating		**13,010**	8,684	**24,010**	21,274
Transportation		**402**	286	**701**	738
General and administrative		**1,039**	471	**1,505**	3,950
Share based compensation	12	**147**	543	**339**	1,143
Exploration and evaluation	4	**207**	8	**273**	486
Impairment of oil and gas assets	3	**-**	-	**-**	60,923
Depletion and depreciation	3	**6,694**	10,116	**10,235**	22,337
Transaction costs		**10**	1	**18**	2
Finance	13	**4,252**	3,425	**10,386**	6,565
Total expenses		**25,761**	23,534	**47,467**	117,418
NET INCOME (LOSS) BEFORE TAXES		**(353)**	(15,489)	**1,346**	(80,930)
Deferred income tax	14	**-**	-	**-**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**(353)**	(15,489)	**1,346**	(80,930)
NET INCOME (LOSS) PER SHARE	15				
Basic		**(0.01)**	(0.36)	**0.03**	(1.88)
Diluted		**(0.01)**	(0.36)	**0.03**	(1.88)

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, 2021		300,758	109,330	3,809	(433,719)	(19,822)
Comprehensive income		-	-	-	1,346	1,346
Share based compensation	12	-	339	-	-	339
Settlement of RSU's and PSU's		22	(23)	-	-	(1)
Balance, June 30, 2021		**300,780**	**109,646**	**3,809**	**(432,373)**	**(18,138)**

	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	-	1,143	-	-	1,143
Balance, June 30, 2020	300,621	108,840	736	(458,025)	(47,828)

JOURNEY ENERGY INC.

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

For the three and six months ended June 30, 2021 and 2020

(in thousands of Canadian dollars)

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
CASH FLOW FROM THE FOLLOWING ACTIVITIES:					
OPERATING					
Net income (loss) and comprehensive income (loss)		**(353)**	(15,489)	**1,346**	(80,930)
Adjustments for:					
Unrealized gain on derivative contracts	16(a)	**-**	7,439	**-**	(2,216)
Share based compensation	12	**147**	543	**339**	1,143
Depletion and depreciation	3	**6,694**	10,116	**10,235**	22,337
Change in fair value of other liability	5	**179**	-	**2,134**	-
Accretion of decommissioning liabilities	8	**851**	476	**1,713**	1,020
Accretion of lease obligations	13	**31**	76	**64**	157
Accretion of term-debt	6	**401**	43	**797**	86
Deferred financing charge		**863**	-	**1,725**	-
Capitalized interest		**2,783**	2,313	**2,783**	2,313
Exploration and evaluation expense	4	**207**	8	**273**	486
Impairment of oil and gas assets	3	**-**	-	**-**	60,923
Decommissioning costs incurred	8	**(359)**	12	**(829)**	(374)
Changes in non-cash working capital	17(a)	**(2,087)**	(2,946)	**(6,928)**	(972)
Cash flow provided by operating activities		**9,357**	2,591	**13,652**	3,973
FINANCING					
Changes in bank debt	5	**-**	(514)	**-**	5,464
Repayment of term-debt		**(7,000)**	-	**(10,750)**	-
Lease obligation payments	9	**(90)**	(413)	**(180)**	(830)
Settlement of restricted share units		**(1)**	-	**(1)**	-
Cash flow (used in), provided by financing activities		**(7,091)**	(927)	**(10,931)**	4,634
INVESTING					
Additions to property, plant and equipment	3	**(218)**	(953)	**(582)**	(4,078)
Additions to exploration and evaluation assets	4	**(110)**	(83)	**(191)**	(221)
Acquisition of property, plant and equipment and exploration and evaluation assets		**(11)**	(4)	**(31)**	(33)
Disposition of property, plant and equipment and exploration and evaluation assets		**7**	-	**7**	16
Changes in non-cash working capital		**168**	(624)	**497**	(4,291)
Cash flow used in investing activities		**(164)**	(1,664)	**(300)**	(8,607)
NET INCREASE TO CASH		**2,102**	-	**2,421**	-
CASH, BEGINNING OF PERIOD		**6,909**	-	**6,590**	-
CASH, END OF PERIOD		**9,011**	-	**9,011**	-
Supplementary cash flow information	17 (b)				

See accompanying notes.

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 and the OTCQX exchange in the U.S.

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

The registered address for 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.

1. 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, 2020. 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, 2020, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended June 30, 2021 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on August 10, 2021.

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.

2. COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, causing a reduction in demand for oil prices worldwide. In addition, commodity prices further declined significantly due to a dispute between major oil producing countries. 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 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 volatile 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 fund scheduled debt payments and restrictions in lending agreements;
- 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 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. Recently, and concurrent with global announcements of vaccine rollouts, oil and natural gas prices have improved. This has been helpful to the industry and the Company. However, there still remains an element of uncertainty over how quickly the global economic can recover and if there are additional waves related to the pandemic. 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.

3. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right of use assets	Electricity	Other assets	Total
Balance, January 1, 2020	1,268,963	6,714	1,000	4,340	1,281,017
Additions	882	191	5,802	-	6,875
Changes in decommissioning obligations	38,678	-	-	-	38,678
Lease amendment	-	(3,053)	-	-	(3,053)
Dispositions of property, plant and equipment	(23)	(12)	-	-	(35)
Transfer from exploration and evaluation	201	-	-	-	201
Balance, December 31, 2020	1,308,701	3,840	6,802	4,340	1,323,683
Additions	378	-	204	-	582
Acquisition of property, plant and equipment	3	-	-	-	3
Changes in decommissioning obligations	(21,760)	-	-	-	(21,760)
Transfer to exploration and evaluation	(102)	-	-	-	(102)
Balance, June 30, 2021	**1,287,220**	**3,840**	**7,006**	**4,340**	**1,302,406**

	Petroleum and natural gas assets	Right of use assets	Electricity	Other assets	Total
Accumulated depletion, depreciation and impairment losses					
Balance, January 1, 2020	(955,736)	(1,342)	-	(4,129)	(961,207)
Provision for the period	(37,590)	(1,224)	(87)	(58)	(38,959)
Impairment	(60,923)	-	-	-	(60,923)
Balance, December 31, 2020	(1,054,249)	(2,566)	(87)	(4,187)	(1,061,089)
Provision for the period	(9,857)	(186)	(170)	(22)	(10,235)
Balance, June 30, 2021	**(1,064,106)**	**(2,752)**	**(257)**	**(4,209)**	**(1,071,324)**

Carry amounts	Petroleum and natural gas assets	Right of use assets	Electricity	Other assets	Total
January 1, 2020	314,227	5,372	1,000	211	319,810
December 31, 2020	254,452	1,274	6,715	153	262,594
June 30, 2021	**223,114**	**1,088**	**6,749**	**131**	**231,082**

Future development costs on reserves of $149,678 (December 31, 2020 - $150,194) were included in the depletion calculation.

At each reporting period, the Company assesses whether there were indicators of impairment. The assessment factored in reserves; changes in forecasted commodity prices; interest rates; the health of the oil and gas industry; the status of the general economy; well performance; and near term development plans. At June 30, It was determined that neither indicators of impairment nor impairment reversals were present. As a result, no test to determine impairments or impairment reversals was performed.

4. EXPLORATION AND EVALUATION ASSETS

Balance, January 1, 2020	8,664
Additions	386
Dispositions	(14)
Acquisitions	33
Lease expiries	(799)
Transfer to property, plant and equipment	(201)
Impairment	(440)
Balance, December 31, 2020	7,629
Additions	191
Acquisitions	28
Dispositions	(7)
Transfer from property, plant and equipment	102
Lease expiries	(273)
Balance, June 30, 2021	**7,670**

5. OTHER LIABILITY

On October 30, 2020, Journey secured a $38,000 term-debt facility to fund the purchase of its $75,000 credit facility held by its syndicate of first-lien lenders. In addition to the initial $38,000 payment to the syndicate, Journey is contingently liable to pay a maximum of $5,750 over a three year period with annual payments dependent on the achievement of specified price ranges for mixed, sweet, blended oil prices at the Edmonton, Alberta hub as reported by Natural Resources Canada. The fair value of the contingent liability is shown in the Consolidated Statement of Financial Position as “Other Liability”. The payment in 2021 is capped at $750; 2022 is capped at $2,250; and in 2023 the payment is capped at the maximum total obligation of $5,750. At June 30, 2021 the Company estimated the fair value of the contingent liability to be $4,077 (December 31, 2020 - $1,943). The change in fair value of this liability was recorded in the statement of comprehensive income (loss) as finance expenses.

The table below summarizes the change in fair value for the Other Liability:

	$
Recognized at inception, October 30, 2020	1,336
Increase in fair value for period	607
Fair value at December 31, 2020	1,943
Increase in fair value for period	2,134
Fair value at June 30, 2021	**4,077**
Current portion of other liability	**(674)**
Long term portion of other liability	**3,403**

6. TERM-DEBT

A summary of the Company's term-debt outstanding as at the respective period ends is as follows:

	June 30, 2021	December 31, 2020
Tranche:		
1 - matures October 31, 2023	**24,700**	23,368
2 - matures September 30, 2022	**23,817**	22,946
3 - matures December 31, 2021	**4,250**	15,000
4 - matures October 31, 2021	**10,000**	10,000
5 - matures October 31, 2024	**13,580**	13,000
6 - matures October 31, 2024	**5,350**	5,350
Unamortized financing costs	**(5,238)**	(7,760)
Total	**76,459**	81,904
Current portion of term-debt	**(13,558)**	(22,568)
Long term portion of term-debt	**62,901**	59,336

The continuity of the first two tranches of term-debt issued September 30, 2019 is as follows:

	Tranche 1	Tranche 2	**Total**
Balance, January 1, 2020	22,787	20,867	43,654
Capitalized interest	1,367	946	2,313
Accretion	(188)	365	177
Deferred issuance expenses	(43)	(43)	(86)
Amortization of deferred issuance expenses	41	24	65
Balance, December 31, 2020	23,964	22,159	46,123
Capitalized interest	1,333	870	**2,203**
Amortization of deferred issuance expenses	13	17	**30**
Accretion	(104)	194	**90**
Balance, June 30, 2021	**25,206**	**23,240**	**48,446**

On October 30, 2020, Journey obtained $38,000 of term-debt from AIMCo to fund the settlement of the $75,000 credit facility with its syndicate of first-lien lenders. $38,000 was provided in three new tranches. Tranche 3 was for $15,000, bears interest at 11.5% per annum, and matures on December 31, 2021. The maturity was originally set at December 31, 2020 to coincide with the disposition of assets in Countess, Alberta. The agreement for the sale of assets was terminated on March 1, 2021 and AIMCo extended the maturity several times but now sits at December 31, 2021. Journey repaid $10,750 of this tranche during the six month period ended June 30, 2021. The fourth tranche is for $10,000, matures on October 31, 2021, and bears interest at 9.0% per annum. The fair value of this tranche was determined using an effective rate of 15.0%. The fifth tranche is for a principal amount of $13,000, matures on October 31, 2024, and bears interest of 9.0% in year one, 9.85% in year two and 12.95% for years three and four. The fair value of this tranche was determined using an effective rate of 20.0%.

A commitment fee loan (tranche 6) of $5,350 is payable to AIMCo on October 30, 2024 and bears interest at rates which are dependent upon Edmonton mixed sweet reference oil prices. Below $65 per barrel the loan bears no interest. Between $65 and $80 per barrel, the loan bears interest at 5.0% per annum and if oil prices exceed $80 per barrel the loan bears interest at 10.0% per annum.

The continuity of the final four tranches of term-debt, which were issued on October 30, 2020 is as follows:

	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Total
Principal amount of term-debt	15,000	10,000	13,000	5,350	43,350
Less: value allocated to warrants	-	(582)	(3,461)	-	(4,043)
Fair value at date of issue	15,000	9,418	9,539	5,350	**39,307**
Unamortized deferred finance costs	(2,187)	(1,458)	(1,896)	-	**(5,541)**
Amortization of deferred finance costs	1,458	243	79	-	**1,780**
Accretion expense	-	94	141	-	**235**
Balance, December 31, 2020	**14,271**	**8,297**	**7,863**	**5,350**	**35,781**
Repayment	(10,750)	-	-	-	**(10,750)**
Capitalized interest	-	-	580	-	**580**
Amortization of deferred finance costs	729	729	237	-	**1,695**
Accretion expense	-	282	425	-	**707**
Balance, June 30, 2021	**4,250**	**9,308**	**9,105**	**5,350**	**28,013**

All tranches of the term-debt are secured by a floating charge debenture over all of the Company's assets. There was a financial covenant that requires the Company to maintain its Liability Management Rating greater than 1.50. In addition, there are certain standard non-financial covenants in the term-debt agreement. Journey was in compliance with all covenants as at June 30, 2021. Journey anticipates compliance with the LMR threshold through 2021.

7. BANK DEBT

Journey currently has a demand operating loan (overdraft) of $1,500 with chartered bank of which there was no amount drawn as at June 30, 2021. Any advances under this agreement bear interest at a rate of 2.5 percent above the banks' prime lending rate. The overdraft is secured by a general security agreement over certain tangible field facilities of the Company.

8. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from ownership interests 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, 2021 to be $190,512 (December 31, 2020 - $191,909) the majority of which, will be incurred at various times between 2022 and 2056. The present value of the future liability at June 30, 2021 has been discounted using an inflation adjusted interest rate of 0.1% (December 31, 2020 – minus 0.3%), which is comprised of a risk-free discount rate of 1.8% less an assumed inflation rate of 1.7%. As at June 30, 2021, no funds have been specifically set aside to settle these obligations. The decommissioning obligations will be funded from future cash flows from operations.

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

	June 30, 2021	December 31, 2020
Balance, beginning of period	**206,179**	166,478
Liabilities disposed of	**-**	(705)
Liabilities acquired	**241**	-
Liabilities settled	**(829)**	(480)
Revisions to estimates	**(925)**	(6,340)
Changes in discount rate	**(21,076)**	45,017
Accretion	**1,713**	2,209
Balance, end of period	**185,303**	206,179
Current provision	**1,738**	2,567
Non-current provision	**183,565**	203,612

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, 2020	1,289	4,492	5,781
Additions	59	132	191
Lease termination	(665)	(1,369)	(2,034)
Lease modification	(589)	(924)	(1,513)
Lease payments	-	(1,428)	(1,428)
Accretion	137	137	274
Balance, December 31, 2020	231	1,040	1,271
Lease payments	(17)	(163)	(180)
Accretion	10	54	64
Balance, June 30, 2021	**224**	**931**	**1,155**

The Company used an interest rate that approximated its incremental cost of borrowing at the inception of each lease to discount the future lease liabilities. The undiscounted lease liability at June 30, 2021 is $1,448 (December 19, 2020 - $1,628) for the leases.

10. SHARE CAPITAL

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

	Shares	**$**
Balance, January 1, 2020	43,087	300,621
Issued on settlement of PSU's and RSU's	914	137
Balance, December 31, 2020	**44,001**	**300,758**
Issued on settlement of PSU's and RSU's	24	22
Balance, June 30, 2021	**44,025**	**300,780**

11. WARRANTS

	Warrants	$
Balance, January 1, 2020 and 2021 (i)	1,137	736
Issued, net of deferred tax (ii)	5,000	3,073
Balance, December 31, 2020 and June 30, 2021	**6,137**	**3,809**

(i) 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.

(ii) The warrants are convertible into common shares on a one for one basis with an exercise price of $0.16 per warrant and expire on October 31, 2024.

12. SHARE BASED COMPENSATION

a) Restricted Share Units ("RSU's"), Peer Performance Share Units ("PPSU's") and Share Price Performance Share Units (SPSU's).

On June 30, 2021 the Company granted RSU's, PPSU's and SPSU's to certain employees that vest in one-third increments over their three year term on each of anniversary dates of the issuance. The PPSU's have a performance multiplier of between zero and 2.0. The achievement of the PPSU multiplier is based on how Journey's share price performs in relation to a select peer group. The SPSU's have a performance multiplier of between zero and 2.0 with the achievement of the multiplier being based on how Journey's share price performs in absolute terms over the vesting periods. An assumed multiplier of 1.0 was used for both the PPSU's and the SPSU's in the calculation of Journey's share based compensation expense. The fair value of Journey's shares on the grant date for the RSU's, PPSU's and SPSU's was $1.55 per share.

Upon vesting, settlement of the RSU's, PPSU's and SPSU's is at the sole discretion of the Company in either cash or shares issued from treasury.

The following RSU's and PSU's were outstanding at the end of the respective periods:

	RSU's	PPSU's	SPSU's
Balance at January 1, 2020	1,753	1,036	-
Settled	(1,044)	(297)	-
Forfeited	(113)	(10)	-
Balance at December 31, 2020	596	729	-
Issued	372	180	180
Settled	(28)	-	-
Forfeited	(26)	(42)	-
Balance at June 30, 2021	**914**	**867**	**180**

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, 2020	1,161	2.05	1,134
Forfeited	(16)	2.02	(16)
Balance at December 31, 2020	1,145	2.05	1,145
Expired	(480)	1.87	(480)
Forfeited	(70)	2.09	(70
Balance at June 30, 2021	**595**	**2.19**	**595**

Share based compensation expense is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Stock options	**1**	1	**2**	4
PPSU, SPSU and RSU	**146**	542	**337**	1,139
Share based compensation expense	**147**	543	**339**	1,143

13. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Interest and deferred financing charge	**2,790**	2,830	**5,678**	5,302
Accretion of decommissioning liabilities	**851**	476	**1,713**	1,020
Accretion of lease obligations	**31**	76	**64**	157
Accretion of term-debt	**401**	43	**797**	86
Change in fair value of other liability	**179**	-	**2,134**	-
Total finance expense	**4,252**	3,425	**10,386**	6,565

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, 2021 and 2020 are accounted for as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Net income (loss) before taxes	**(353)**	(15,489)	**1,346**	(80,930)
Expected income taxes, at the statutory rate of 23.0% (2020 – 25.5%)	**(81)**	(3,950)	**310**	(20,637)
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	**34**	350	**82**	312
Non-deductible and other items	**-**	-	**-**	1
Change in valuation allowance of deferred tax asset	**47**	3,800	**(392)**	20,324
Deferred income tax expense	**-**	-	**-**	-

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,	
	2021	2020	**2021**	2020
Net income (loss)	**(353)**	(15,489)	**1,346**	(80,930)
Weighted average shares outstanding - basic	**44,025**	43,087	**44,013**	43,087
Weighted average shares outstanding - diluted	**44,025**	43,087	**48,327**	43,087
Net loss per share – basic	**$ (0.01)**	$ (0.36)	**$ 0.03**	$ (1.88)
Net loss per share – diluted	**$ (0.01)**	$ (0.36)	**$ 0.03**	$ (1.88)

The net income (loss) per basic share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the respective periods. For the six month period ended June 30, 2021 the dilutive impact of RSU's, PPSU's, SPSU's, warrants and stock options was an additional 4,313 to the weighted average common shares. All potentially dilutive instruments were excluded from the per share calculation for the three month period ended June 30, 2021 and both three and six month periods ended June 30, 2020 as the Company reported a net loss and to include them would be anti-dilutive.

16. FINANCIAL INSTRUMENTS

(a) Derivative contracts

The gain (loss) on derivative contracts for the three and six month periods ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Realized	**-**	4,363	**-**	6,682
Unrealized	**-**	(7,439)	**-**	2,216
	-	(3,076)	**-**	8,898

(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:

	2021	2020
Accounts receivable	**11,862**	9,285

For the period ended June 30, 2021, Journey determined that $2,099 (2020 - $2,337) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At June 30, 2021, Journey estimated its provision for uncollectable accounts to be $2,228 (2020 - $2,459). Accounts receivable balances outstanding greater than ninety days at June 30, 2021 were $2,780 (2020 – $1,950).

(ii) Interest rate risk

All the Company's term loans bear interest at fixed rates with the exception of the commitment fee loan, which bears interest only if certain oil price thresholds are met (Note 7). Borrowings under the bank demand operating loan are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. As there were no borrowings under the bank demand loan at June 30, 2021 there is currently no impact.

(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 works to mitigate 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.

Journey has six tranches of term-debt with its major shareholder, Alberta Investment Management Corporation ("AIMCo"). Two tranches of term-debt, having a principal amount of $14,250 at June 30, 2021, have maturities in 2021 with an additional $23.8 million due on September 30, 2022 (see note 6). The Company continues to make substantial progress in reducing its overall debt position from cash generated from operations. Commodity prices and the general economic environment continue to be volatile increasing the risk that cash flow from operations will decline, which could result in Journey being unable to fund upcoming debt maturities. Journey is dependent on current commodity pricing to enable it to generate cash flow necessary to fund debt repayments. The following table details Journey's financial liabilities as at June 30, 2021:

	< 1year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	13,848	-	-	**13,848**
Other liability – principal	750	2,250	2,750	**5,750**
Term-debt - principal	14,250	23,817	43,630	**81,697**
Interest on term-debt	6,486	4,915	3,313	**14,714**
	35,334	30,982	49,693	**116,009**

17. SUPPLEMENTAL INFORMATION

a) *Changes in non-cash working capital*

Sources (uses) of funds:	Three months ended June 30, **2021**	Three months ended June 30, 2020	Six months ended June 30, **2021**	Six months ended June 30, 2020
Accounts receivable	**(1,027)**	(676)	**(2,577)**	6,271
Prepaid expenses and deposits	**(890)**	(316)	**(1,504)**	(709)
Accounts payable and accrued liabilities	**(2)**	(2,542)	**(2,350)**	(10,852)
	(1,919)	(3,534)	**(6,431)**	(5,290)
Related to:				
Operating activities	**(2,087)**	(2,910)	**(6,928)**	(999)
Investing activities	**168**	(624)	**497**	(4,291)
	(1,919)	(3,534)	**(6,431)**	(5,290)

b) *Supplementary cash flow information*

	Three months ended June 30, **2021**	Three months ended June 30, 2020	Six months ended June 30, **2021**	Six months ended June 30, 2020
Interest paid	**1,136**	1,296	**3,969**	2,528

c) *Revenue by product type*

	Three months ended June 30, **2021**	Three months ended June 30, 2020	Six months ended June 30, **2021**	Six months ended June 30, 2020
Crude oil	**18,587**	5,815	**33,405**	19,688
Natural gas	**6,731**	4,754	**13,352**	7,984
Natural gas liquids	**2,203**	597	**4,339**	1,830
Petroleum and natural gas sales	**27,521**	11,166	**51,096**	29,502

18. COMMITMENTS

The Company is committed to firm-service contracts for the transportation of a portion of its natural gas production. In addition, the Company has committed to future minimum payments under various operating leases for head office, vehicles and office equipment. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts.

	Total	2021	2022	2023	2024	After
Natural gas transportation	**1,533**	275	518	380	257	103
Lease commitments	**3,759**	449	876	803	965	666
Total	**5,292**	724	1,394	1,183	1,222	769

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. RELATED PARTY TRANSACTIONS

The Company considers its directors and executives to be key management personnel and are therefore related parties. For the three and six month periods ended June 30, compensation for these individuals is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Salaries and director fees	**301**	302	**600**	570
Short-term employee benefits	**13**	13	**27**	28
Share based payments (i)	**102**	225	**202**	440
Total	**416**	540	**829**	1,038

(i) These amounts represent the amortization of share-based compensation associated with the Company's share based compensation plans.
(ii) As at June 30, 2021 there were eleven (June 30, 2020 – ten) individuals that were considered key management personnel.

The related party transactions above were recorded at the above disclosed exchange amounts.

20. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, term-debt and working capital (current assets less current liabilities, but excluding the fair value of other liability, 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; 3) repay its borrowings at their maturity dates (or renegotiate existing debt agreements upon acceptable commercial terms); and 4) 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.

The company's primary source of funds are cash provided by operating activities. As of June 30, 2021 Journey had $9,011 of cash on hand. Management believes the Company is positioned to execute on its future strategic growth plans. Future exploration and development capital expenditures are expected to be funded primarily by cash generated from operating activities. For the six months ended June 30, 2021 Journey has repaid $10.75 million. Management currently projects it is on track to repay two tranches of term debt in 2021 totalling $25 million all of which will be funded through cash flow.

Journey continually monitors its capital structure and adjusts 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.

21. PROPOSED ACQUISITION

On June 24, 2021 Journey announced it entered into a definitive agreement to purchase all of the outstanding shares of a private oil and gas producer for an acquisition price of $6.6 million. The acquisition price will be paid for through the issuance of 3.5 million Journey shares plus $2.9 million of cash. The acquisition comes with significant development drilling upside over an extensive land base.

In addition, the acquisition comes with a projected working capital surplus at closing of approximately \$0.8 million. The acquisition requires a two-thirds majority shareholder approval, along with a stock exchange approval and is currently anticipated to close in mid-August.