

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

	Note	June 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		9,789	31,400
Accounts receivable		28,512	29,677
Prepaid expenses and deposits		4,889	1,650
Total current assets		43,190	62,727
Property, plant and equipment	2	473,330	482,082
Exploration and evaluation assets	3	6,358	5,383
Deferred tax asset	14	87,802	89,003
Total assets		610,680	639,195
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		42,670	45,496
Term-debt	5	24,948	48,571
Other liabilities	4	3,739	4,955
Other loans	6	24,000	24,000
Lease obligations	9	287	154
Decommissioning obligations	8	2,132	5,317
Total current liabilities		97,776	128,493
Term-debt	5	17,265	16,671
Lease obligations	9	1,475	1,555
Other loans	6	7,419	19,419
Decommissioning obligations	8	180,561	188,381
Total liabilities		304,496	354,519
<b>EQUITY</b>			
Share capital	10	366,915	351,485
Contributed Surplus		110,916	109,505
Warrants	11	3,073	3,073
Deficit		(174,720)	(179,387)
Total equity		306,184	284,676
Total liabilities and equity		610,680	639,195
Commitments	18		
Subsequent events	21		
<i>See accompanying notes.</i>			

**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, 2023 and 2022***(unaudited) (in thousands of Canadian dollars, except per share data)*

		Three months ended June 30,		Six months ended June 30,	
	Note	2023	2022	2023	2022
<b>REVENUE</b>					
Petroleum and natural gas sales	17(c)	<b>53,513</b>	67,929	<b>111,956</b>	113,787
Processing and other income		<b>2,108</b>	2,313	<b>4,180</b>	4,246
Royalties		<b>(11,020)</b>	(14,066)	<b>(23,088)</b>	(22,189)
Net revenue		<b>44,601</b>	56,176	<b>93,048</b>	95,844
<b>EXPENSES</b>					
Operating		<b>27,797</b>	17,369	<b>52,376</b>	32,118
Transportation		<b>714</b>	546	<b>1,946</b>	932
General and administrative		<b>2,681</b>	3,169	<b>4,504</b>	5,580
Share based compensation	12	<b>658</b>	459	<b>1,275</b>	906
Exploration and evaluation	3	<b>260</b>	1,372	<b>378</b>	1,502
Loss on debt modification	5	-	-	<b>175</b>	-
Depletion and depreciation	2	<b>10,932</b>	6,439	<b>17,823</b>	11,071
Transaction costs		-	136	<b>2</b>	144
Finance	13	<b>3,781</b>	3,300	<b>8,280</b>	6,436
Total expenses		<b>46,823</b>	32,790	<b>86,759</b>	58,689
<b>NET INCOME (LOSS) BEFORE TAXES</b>		<b>(2,222)</b>	23,386	<b>6,289</b>	37,155
Deferred income tax expense (recovery)	14	<b>(449)</b>	(4,811)	<b>1,622</b>	(4,811)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>		<b>(1,773)</b>	28,197	<b>4,667</b>	41,966
<b>NET INCOME (LOSS) PER SHARE</b>					
	15				
Basic		<b>(0.03)</b>	0.54	<b>0.08</b>	0.83
Diluted		<b>(0.03)</b>	0.47	<b>0.07</b>	0.73

*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, 2023		351,485	109,505	3,073	(179,387)	284,676
Net income and comprehensive income		-	-	-	4,667	4,667
Equity issued, net	10	15,430	-	-	-	15,430
Share based compensation	12	-	1,411	-	-	1,411
<b>Balance, June 30, 2023</b>		<b>366,915</b>	<b>110,916</b>	<b>3,073</b>	<b>(174,720)</b>	<b>306,184</b>

		Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2022		305,716	109,336	3,809	(334,585)	84,276
Net income and comprehensive income		-	-	-	41,966	41,966
Equity issued, net		10,307	-	-	-	10,307
Equity issued, corporate acquisition		10,920	-	-	-	10,920
Exercise of stock options		271	(94)	-	-	177
Share based compensation		-	906	-	-	906
<b>Balance, June 30, 2022</b>		<b>327,214</b>	<b>110,148</b>	<b>3,809</b>	<b>(292,619)</b>	<b>148,552</b>

**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Cash Flows** *(unaudited)***For the three and six months ended June 30, 2023 and 2022***(in thousands of Canadian dollars)*

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
<b>CASH FLOW FROM THE FOLLOWING ACTIVITIES:</b>					
<b>OPERATING</b>					
Net income (loss) and comprehensive income (loss)		<b>(1,773)</b>	28,197	<b>4,667</b>	41,966
Adjustments for:					
Other income	8	-	(95)	<b>(167)</b>	(209)
Deferred tax expense	14	<b>(449)</b>	(4,811)	<b>1,622</b>	(4,811)
Share based compensation	12	<b>658</b>	459	<b>1,275</b>	906
Depletion and depreciation	2	<b>10,932</b>	6,439	<b>17,823</b>	11,071
Loss on debt modification	5	-	-	<b>175</b>	-
Change in fair value of other liability	4	-	182	<b>45</b>	367
Accretion of decommissioning obligations	8	<b>1,384</b>	1,059	<b>2,721</b>	1,963
Accretion of lease obligations	9	<b>48</b>	27	<b>97</b>	55
Accretion of term-debt	5	<b>107</b>	282	<b>363</b>	561
Deferred financing charge	5	<b>125</b>	134	<b>250</b>	267
Exploration and evaluation expense	3	<b>260</b>	1,372	<b>378</b>	1,502
Decommissioning costs incurred	8	<b>(802)</b>	(187)	<b>(3,018)</b>	(1,089)
Changes in non-cash working capital	17(a)	<b>1,845</b>	(7,014)	<b>(2,435)</b>	(4,694)
Cash flow provided by operating activities		<b>12,335</b>	26,044	<b>23,796</b>	47,855
<b>FINANCING</b>					
Common share issued, net of issue costs	10	<b>18</b>	(243)	<b>18,884</b>	11,049
(Repayment) Advances other loans		<b>(6,000)</b>	-	<b>(12,000)</b>	254
Repayment of term-debt		-	-	<b>(23,817)</b>	-
Exercise of stock options		-	177	-	177
Lease obligation payments	9	<b>(93)</b>	(82)	<b>(185)</b>	(163)
Repayment of other liability	4	-	-	<b>(5,000)</b>	(750)
Cash flow (used in) provided by financing activities		<b>(6,075)</b>	(148)	<b>(22,118)</b>	10,567
<b>INVESTING</b>					
Additions to property, plant and equipment	2	<b>(2,370)</b>	(11,161)	<b>(9,984)</b>	(22,829)
Additions to exploration and evaluation assets	3	<b>(102)</b>	(174)	<b>(342)</b>	(619)
Disposition of property, plant and equipment and exploration and evaluation assets		<b>5</b>	335	<b>1,041</b>	359
Acquisition of property, plant and equipment and exploration and evaluation assets		<b>(11,539)</b>	(4,879)	<b>(11,539)</b>	(4,952)
Corporate acquisition		-	(7,760)	-	(7,760)
Changes in non-cash working capital	17(a)	<b>(1,905)</b>	2,785	<b>(2,465)</b>	5,312
Cash flow used in investing activities		<b>(15,911)</b>	(20,854)	<b>(23,289)</b>	(30,489)
<b>CHANGE IN CASH</b>		<b>(9,651)</b>	5,042	<b>(21,611)</b>	27,933
<b>CASH, BEGINNING OF PERIOD</b>		<b>19,440</b>	38,250	<b>31,400</b>	15,359
<b>CASH, END OF PERIOD</b>		<b>9,789</b>	43,292	<b>9,789</b>	43,292

Supplementary cash flow information

17 (b)

*See accompanying notes.*

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
*(thousands, except per share data)*

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

**1. BASIS OF PRESENTATION**

**a) Statement of compliance**

These condensed consolidated interim financial statements as at June 30, 2023 (the “Financial Statements”) are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Certain disclosures included in the notes to the annual financial statements have been condensed in the following interim note disclosures or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2022 (the “2022 Annual Financial Statements”).

The Company’s Board of Directors approved these Financial Statements on August 8, 2023.

**b) Basis of measurement**

Unless otherwise indicated, all references to dollar amounts in these Financial Statements and related notes are in thousands of Canadian dollars (“\$”), which is the functional and presentation currency of the Company and its subsidiaries.

The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value as detailed in the accounting policies disclosed in note 16 of these Financial Statements.

**c) Significant estimates and judgements**

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgements, estimates and assumptions made by management in these Financial Statements are consistent with those outlined in note 3 of the 2022 Annual Financial Statements.

## 2. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right of use assets	Electricity	Other assets	Total
Balance, January 1, 2022	1,297,377	3,863	7,006	4,410	1,312,656
Additions	40,836	854	2,816	-	44,506
Changes in decommissioning obligations	(7,041)	-	-	-	(7,041)
Acquisitions	162,469	-	-	-	162,469
Dispositions	(3,000)	-	-	-	(3,000)
Transfer from exploration and evaluation assets	167	-	-	-	167
Balance, December 31, 2022	1,490,808	4,717	9,822	4,410	1,509,757
Additions	3,455	141	5,416	-	9,012
Acquisitions	11,508	-	-	-	11,508
Dispositions	(1,010)	-	-	-	(1,010)
Changes in decommissioning obligations	(10,541)	-	-	-	(10,541)
Transfer from exploration and evaluation	102	-	-	-	102
<b>Balance, June 30, 2023</b>	<b>1,494,322</b>	<b>4,858</b>	<b>15,238</b>	<b>4,410</b>	<b>1,518,828</b>

	Petroleum and natural gas assets	Right of use assets	Electricity	Other assets	Total
<b>Accumulated depletion, depreciation and impairment losses</b>					
Balance, January 1, 2022	(991,192)	(2,925)	(427)	(4,233)	(998,777)
Provision for the period	(28,143)	(369)	(340)	(46)	(28,898)
Balance, December 31, 2022	(1,019,335)	(3,294)	(767)	(4,279)	(1,027,675)
Provision for the period	(17,389)	(246)	(170)	(18)	(17,823)
<b>Balance, June 30, 2023</b>	<b>(1,036,724)</b>	<b>(3,540)</b>	<b>(937)</b>	<b>(4,297)</b>	<b>(1,045,498)</b>

<b>Carry amounts</b>	Petroleum and natural gas assets	Right of use assets	Electricity	Other assets	Total
January 1, 2022	306,185	938	6,579	177	313,879
December 31, 2022	471,473	1,423	9,055	131	482,082
<b>June 30, 2023</b>	<b>457,598</b>	<b>1,318</b>	<b>14,301</b>	<b>113</b>	<b>473,330</b>

Future development costs for oil and natural gas reserves of \$247,824 (December 31, 2022 - \$249,924) were included in the depletion calculation.

During the period ended June 30, 2023, the Company acquired tangible assets and land to facilitate the future expansion of its power generation business for \$5,940. There were also miscellaneous acquisitions and dispositions in the period totaling \$4,558.

At the end of each reporting period, the Company assesses whether there were indicators of impairment. The assessment criteria used are: changes in reserves; changes in forecasted commodity prices from the previous reserve report; 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, 2023 it was determined that a test for impairment or impairment reversal was not required.

### 3. EXPLORATION AND EVALUATION ASSETS

Balance, January 1, 2022	6,426
Additions	552
Acquisitions	539
Lease expiries and expense	(1,946)
Transfer to property, plant and equipment	(167)
Impairment	(21)
Balance, December 31, 2022	5,383
Additions	342
Acquisitions	1,113
Transfer to property, plant and equipment	(102)
Lease expiries	(378)
<b>Balance, June 30, 2023</b>	<b>6,358</b>

### 4. OTHER LIABILITIES

Other liabilities are comprised of:

(i) Contingent Liability

As a result of the October 30, 2020 debt restructuring, Journey was contingently liable to pay a maximum of \$5,750 over a three year period starting in 2021, with annual payments dependent on price ranges for mixed, sweet, blended oil prices at the Edmonton, Alberta hub. Payments were capped at a maximum amount of \$750 for 2021; \$2,250 for 2022; and for 2023 the payment was capped at the maximum total obligation remaining of up to \$5,750 less any previous repayments. The debt did not bear interest. As consideration for consenting to the acquisition that closed on October 31, 2022, the remaining future payments of \$5,000 all became due on January 31, 2023 and were paid.

(ii) Flow-through shares

A deferred liability of \$3,739 was recognized for the premium on the flow through shares (Note 10). The liability will be de-recognized through income tax expense as the Company incurs the qualifying expenditures.

The table below summarizes the change in value for the other liabilities:

	\$
Value at January 1, 2022	4,466
Repayment	(750)
Increase in value for period	1,239
<b>Value at December 31, 2022</b>	<b>4,955</b>
Increase in value for period	45
Repayment	(5,000)
Flow-through share renunciation	3,739
<b>Value at June 30, 2023</b>	<b>3,739</b>

## 5. TERM-DEBT

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

	June 30, 2023	December 31, 2022
Tranche:		
1 - matures April 30, 2024 (ii)	24,700	24,700
2 - matures March 31, 2023 (i)	-	23,817
3 - matures October 31, 2024	13,580	13,580
4 - matures October 31, 2024	5,483	5,483
Unamortized financing costs	(1,550)	(2,338)
Total carrying value	42,213	65,242
Expected to be paid within one year	(24,948)	(48,571)
Expected to be paid beyond one year	17,265	16,671

- (i) On October 31, 2022 concurrent with closing of an acquisition, the maturity date of this tranche was amended from September 30, 2022 to March 31, 2023 and was repaid in full March 31, 2023.
- (ii) On March 30, 2023 the maturity date of this tranche was amended from October 31, 2023 to April 30, 2024. Due to the debt modification a loss of \$175 was realized in the period ended June 30, 2023.

The continuity of the outstanding three tranches of term-debt for the current period is as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Total
Balance January 1, 2023	24,896	23,675	11,188	5,483	65,242
Amortization of deferred finance costs	13	-	237	-	250
Debt modification	175	-	-	-	175
Accretion	(136)	142	357	-	363
Repayment	-	(23,817)	-	-	(23,817)
<b>Balance, June 30, 2023</b>	<b>24,948</b>	<b>-</b>	<b>11,782</b>	<b>5,483</b>	<b>42,213</b>

All tranches of the term-debt are secured by a floating charge debenture over all of the Company's assets. There is 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, 2023. Journey anticipates compliance with the LMR threshold throughout 2023.

## 6. OTHER LOANS

### a) Vendor Take Back ("VTB")

As part of the acquisition of petroleum and natural gas assets that closed October 31, 2022 the vendor of the assets Journey was issued a VTB loan in the amount of \$45,000. The loan bears interest at 10.0% per annum and is being repaid with monthly payments that commenced December 1, 2022. The amount of monthly payments is determined by the monthly average oil price for West Texas Intermediate ("WTI") for the relevant month. If the monthly average WTI price is equal to or in excess of \$100 USD per barrel the monthly repayment is \$4,000 plus accrued interest on principal balance. If the monthly average WTI price is equal to or in excess of \$85 USD per barrel but less than \$100 USD per barrel the monthly repayment is \$3,000 plus accrued interest on principal balance. If the monthly average WTI price is equal to or in excess of \$70 USD per barrel but less than \$85 USD per barrel the monthly repayment is \$2,000 plus accrued interest on principal balance. If the monthly WTI price is below \$70 USD per barrel the monthly repayment is \$1,000 plus accrued interest on principal balance. The loan is secured by



certain of the oil and natural gas properties acquired from the vendor. Because the monthly repayment amounts can fluctuate with WTI prices, the categorization of this debt between current and long term was made on the basis of future strip WTI oil prices.

b) Government loan

As part of the Canadian federal government's COVID assistance plans companies could apply for partially forgivable, emissions reduction based, interest free loans. The June 30, 2023 balance is \$419. The table below summarizes the activity for other loans:

	\$
Balance at January 1, 2022	156
Government loan	263
Vendor take back loan	45,000
Repayments of vendor take back loan	(2,000)
Balance at December 31, 2022	43,419
Repayments of vendor take back loan	(12,000)
<b>Balance at June 30, 2023</b>	<b>31,419</b>
Expected to be paid within one year	(24,000)
Expected to be paid beyond one year	7,419

**7. BANK DEBT**

Journey currently has a demand overdraft facility of \$1,500 with a chartered bank of which there was no amount drawn as at June 30, 2023. 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 OBLIGATIONS**

The Company's decommissioning obligations 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 obligations at June 30, 2023 to be \$257,510 (December 31, 2022 - \$259,615) the majority of which will be incurred at various times between 2024 and 2059. The present value of the future liability at June 30, 2023 has been calculated using an inflation rate of 1.7% (December 31, 2022 - 2.1%) for the costs and the discounted using the risk free rate of 3.1% (December 31, 2022 - 3.3%). As at March 31, 2023, no funds have been specifically set aside to settle these obligations. Management currently expect future expenditures to be funded from cash flows from operations. Changes to decommissioning obligations during the respective periods below were as follows:

	June 30, 2023	December 31, 2022
Balance, beginning of period	193,698	182,955
Obligations acquired	-	18,376
Revaluation of obligations acquired	-	44,060
Obligations disposed	(4,674)	(944)
Obligations settled	(3,018)	(3,796)
Obligations settled through government grants <sup>1</sup>	(167)	(1,240)
Incurred on development activity during the period	-	606
Revisions to estimates	5,878	2,228
Changes in discount rates	(11,745)	(52,990)
Accretion	2,721	4,443
<b>Balance, end of period</b>	<b>182,693</b>	<b>193,698</b>
Expected to be settled within one year	2,132	5,317
Expected to be settled beyond one year	180,561	188,381

- Funding earned through the Alberta Government Site Rehabilitation Program is recognized as "Other Income" in the Condensed Consolidated Interim Statement of Comprehensive income (loss).

## 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, 2022	239	822	1,061
Additions	(27)	881	854
Lease payments	(13)	(330)	(343)
Accretion	(45)	182	137
<b>Balance, December 31, 2022</b>	<b>154</b>	<b>1,555</b>	<b>1,709</b>
Additions	130	11	141
Lease payments	(5)	(180)	(185)
Accretion	8	89	97
<b>Balance, June 30, 2023</b>	<b>287</b>	<b>1,475</b>	<b>1,762</b>

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, 2023 was \$2,031 (December 31, 2022 - \$2,130).

## 10. SHARE CAPITAL

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

	Number 000's	\$
Balance, January 1, 2022	48,060	305,716
Flow-through shares issued	2,852	12,121
Deferred income tax on flow-through share issuance	-	(742)
Share issue costs net of deferred tax	-	(852)
Issued on corporate acquisition	1,750	10,920
Issued on property acquisition	3,000	18,150
Warrant exercise	1,137	4,318
Exercise of stock options	60	271
Settlement of SPSU's, PPSU's and RSU's	1,023	1,583
<b>Balance, December 31, 2022</b>	<b>57,882</b>	<b>351,485</b>
Flow-through shares issued (i)	3,040	16,386
Share issue costs net of deferred tax	-	(956)
<b>Balance, June 30, 2023</b>	<b>60,922</b>	<b>366,915</b>

(i) On March 23, 2023, 3,040 thousand flow-through shares were issued pursuant to a prospectus offering for gross proceeds of \$20,125, representing \$6.62 per share. Journey incurred share issue costs of \$1,259 on the issuance.

## 11. WARRANTS

	Number 000's	\$
Balance, January 1, 2022	6,137	3,809
Warrant exercise (i)	(1,137)	(736)
<b>Balance December 31, 2022 and June 30, 2023 (ii)</b>	<b>5,000</b>	<b>3,073</b>

- (i) September 29, 2022 1,137 warrants were exercised for common shares on a one for one basis with an exercise price of \$3.15 per warrant.
- (ii) 5,000 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

The Company uses a combination of share-based, long term incentives as part of its compensation plans for employees and directors. These share-based incentives are: Restricted Share Units ("RSU's"); Peer Performance Share Units ("PPSU's"); and Share Price Performance Share Units ("SPSU's").

The following RSU's, PPSU's and SPSU's were outstanding at the end of the respective periods:

	RSU's	PPSU's	SPSU's
Balance at January 1, 2022	1,129	648	365
Issued	525	165	165
Settled	(453)	(404)	(121)
Forfeited	(54)	(4)	(4)
Balance at December 31, 2022	1,147	405	405
Issued	28	3	3
Forfeited	(45)	-	-
<b>Balance at June 30, 2023</b>	<b>1,130</b>	<b>408</b>	<b>408</b>

## 13. FINANCE EXPENSE

	Three months ended		Six months ended	
	2023	June 30, 2022	2023	June 30, 2022
Interest and bank fees	2,117	1,616	4,804	3,223
Deferred financing charge	125	134	250	267
Accretion of decommissioning obligations	1,384	1,059	2,721	1,963
Accretion of lease obligations	48	27	97	55
Accretion of term-debt	107	282	363	561
Change in fair value of other liability	-	182	45	367
<b>Total finance expense</b>	<b>3,781</b>	<b>3,300</b>	<b>8,280</b>	<b>6,436</b>

## 14. DEFERRED INCOME TAX

Differences between the statutory and effective rates for the three and six month periods ended June 30, 2023 and 2022 are accounted for as follows:

	Three month ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) before income tax	<b>(2,222)</b>	23,386	<b>6,289</b>	37,155
Statutory tax rate	<b>23.0%</b>	23.0%	<b>23.0%</b>	23.0%
Expected income tax expense (recovery)	<b>(512)</b>	5,379	<b>1,446</b>	8,546
Increase (decrease) resulting from:				
Share based compensation and other	<b>63</b>	112	<b>176</b>	219
Change in unrecognized deferred tax asset	-	(10,302)	-	(13,576)
Deferred income tax expense	<b>(449)</b>	(4,811)	<b>1,622</b>	(4,811)

## 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,	
	2023	2022	2023	2022
Net income (loss)	<b>(1,773)</b>	28,197	<b>4,667</b>	41,966
Weighted average shares outstanding - basic	<b>60,923</b>	52,697	<b>59,545</b>	50,596
Weighted average shares outstanding - diluted	<b>60,923</b>	59,978	<b>64,682</b>	57,700
Net income (loss) per share – basic	<b>\$ (0.03)</b>	\$ 0.54	<b>\$ 0.08</b>	\$ 0.83
Net income (loss) per share – diluted	<b>\$ (0.03)</b>	\$ 0.47	<b>\$ 0.07</b>	\$ 0.73

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, 2023 the dilutive impact of RSU's, PPSU's, SPSU's, warrants and stock options was an additional 5,137 to the weighted average common shares (June 30, 2022 – 7,104). All potentially dilutive instruments were excluded from the per share calculation for the three month period ended June 30, 2023 as the Company reported a net loss and to include them would be anti-dilutive. For the three month period ended June 30, 2022 the dilutive impact of RSU's, PPSU's, SPSU's, warrants and stock options was an additional 7,281 to the weighted average common shares.

## 16. FINANCIAL INSTRUMENTS

### (a) 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 credit risk primarily relates to:

	Six months ended June 30,	
	<b>2023</b>	2022
Accounts receivable	<b>28,512</b>	27,199

For the period ended June 30, 2023, Journey determined that \$439 (2022 - \$2,205) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At June 30, 2023, Journey estimated its provision for uncollectable accounts to be \$900 (2022 - \$2,356). Accounts receivable balances outstanding greater than ninety days at June 30, 2023 were \$2,801 (2022 - \$2,564).

(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. 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, 2023 there is currently no impact from this facility.

(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 three tranches of term-debt outstanding with its major shareholder, Alberta Investment Management Corporation ("AIMCo"). The Company continues to make substantial progress in reducing its overall debt position using its cash generated from operations. Commodity prices and the general economic environment continue to be volatile, increasing the risk that cash flow from operations could 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, 2023:

	<b>Total</b>	<b>&lt; 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>
Accounts payable and accrued liabilities	<b>42,670</b>	42,670	-	-
Term and VTB loans – principal amount	<b>74,763</b>	48,700	26,063	-
Interest on term debt	<b>10,171</b>	8,103	2,068	-
Other loans	<b>419</b>	419	-	-
Natural gas transportation	<b>3,429</b>	1,612	1,642	175
Operating leases	<b>4,356</b>	993	3,108	255
<b>Total financial liabilities</b>	<b>135,808</b>	102,497	32,881	430

## 17. SUPPLEMENTAL INFORMATION

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

Sources (uses) of funds:	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Accounts receivable	2,971	(2,173)	1,165	(3,080)
Prepaid expenses and deposits	(1,636)	(1,783)	(3,239)	(2,473)
Accounts payable and accrued liabilities	(1,395)	(273)	(2,826)	6,171
	<b>(60)</b>	<b>(4,229)</b>	<b>(4,900)</b>	<b>618</b>
<b>Related to:</b>				
Operating activities	1,845	(7,014)	(2,435)	(4,694)
Investing activities	(1,905)	2,785	(2,465)	5,312
	<b>(60)</b>	<b>(4,229)</b>	<b>(4,900)</b>	<b>618</b>

### b) Supplementary cash flow information

	Three months ended June 30,		Six months ended June 30,,	
	2023	2022	2023	2022
Interest paid	3,459	3,248	8,304	3,248

### c) Petroleum and natural gas sales by product type

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Crude oil	41,195	41,329	82,080	71,132
Natural gas	7,536	20,008	19,027	31,525
Natural gas liquids	4,782	6,592	10,849	11,130
Petroleum and natural gas sales	<b>53,513</b>	<b>67,929</b>	<b>111,956</b>	<b>113,787</b>

## 18. COMMITMENTS

The Company has committed to firm-service contracts for transporting natural gas as well as payments under operating leases. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts.

	Total	<1 year	1-3 years	4-5 years
Natural gas transportation	3,429	1,612	1,642	175
Lease commitments	4,356	993	3,108	255
Flow-through share spending (Note 10)	20,125	20,125	-	-
Total	<b>27,910</b>	<b>22,730</b>	<b>4,750</b>	<b>430</b>

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

### a) Compensation

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Salaries and fees	431	517	843	735
Short-term employee benefits	36	42	72	48
Share based payments (i)	167	173	527	308
Total	634	732	1,442	1,091

- (i) These amounts represent the amortization of share-based compensation expense associated with the Company's share based compensation plans.
- (ii) As at June 30, 2023 there were eleven (June 30, 2022 – ten) individuals that were considered key management personnel.

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

## 20. CAPITAL MANAGEMENT

Management views the capital structure to be comprised of working capital (current assets less current liabilities, but excluding the fair value of other liability, derivative contracts and decommissioning liabilities), share capital, term-debt, and other loans. The Company's key objectives when managing its capital structure are to: 1) meet its financial obligations as they come due; 2) to ensure sufficient financial flexibility to achieve its continuing business objectives including the replacement of production, funding future growth opportunities, expanding its developing power business, and the pursuit of accretive acquisitions; and 3) repay its borrowings at their maturity dates (or renegotiate existing debt agreements upon acceptable commercial terms). 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, or dispose of non-core assets.

The Company's primary source of funds is the cash provided from operating activities. As of June 30, 2023 Journey had \$9,789 of cash on hand and has an undrawn line of credit with its bank in the amount of \$1.5 million. Management believes the Company is positioned to execute on its future strategic growth plans. Future development drilling capital expenditures are expected to be funded through the proceeds realized from the flow-through share equity issuance that closed on March 23, 2023 (Note 10) while all other capital expenditures are expected to be financed primarily by cash generated from operating activities.

Journey's capital structure as at June 30, 2023 and December 31, 2022 is as follows:

	June 30, 2023	Dec. 31, 2022
Principal amount of term debt	43,763	67,580
Principal amount of vendor-take-back loan	31,000	43,000
Accounts payable and accrued liabilities	42,670	45,496
Other liability - principal	-	5,000
Other loans	419	419
<u>Deduct:</u>		
Cash in bank	(9,789)	(31,400)
Accounts receivable	(28,512)	(29,677)
Prepaid expenses	(4,889)	(1,650)
Net debt	74,662	98,768

Journey continually monitors its capital structure and adjusts it throughout the year as a result of general economic conditions, the state of the petroleum industry and global events, all of which may affect commodity prices. Journey prepares an annual capital 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, which is impacted significantly by world events, the budget is intended to be flexible and is re-evaluated at each regularly scheduled board meeting.