JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Financial Position *(unaudited)*
(in thousands of Canadian dollars)

	Note	**September 30, 2020**	December 31, 2019
ASSETS			
CURRENT			
Cash		**1,006**	-
Accounts receivable		**8,291**	15,193
Prepaid expenses and deposits		**2,384**	1,209
Derivative contracts	16(a)	**557**	113
Total current assets		**12,238**	16,515
Property, plant and equipment	4	**272,395**	319,810
Exploration and evaluation assets	5	**8,014**	8,664
Total assets		**292,647**	344,989
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**17,012**	27,715
Bank debt	6	**73,000**	68,833
Term debt	7	**46,061**	-
Derivative contracts	16(a)	**161**	569
Lease obligations	9	**1,373**	1,289
Decommissioning liabilities	8	**2,189**	2,600
Total current liabilities		**139,796**	101,006
Term debt	7	**-**	43,654
Lease obligations	9	**3,582**	4,492
Decommissioning liabilities	8	**204,564**	163,878
Total liabilities		**347,942**	313,030
EQUITY			
Share capital	10	**300,621**	300,621
Contributed Surplus		**109,410**	107,697
Warrants	11	**736**	736
Deficit		**(466,062)**	(377,095)
Total equity		**(55,295)**	31,959
Total liabilities and equity		**292,647**	344,989
Going concern	1, 2		
Commitments	18		

See accompanying notes.

APPROVED BY THE BOARD

"Signed" **Ryan A. Shay, Director**

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

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Loss
For the three and nine months ended September 30, 2020 and 2019
(unaudited) (in thousands of Canadian dollars, except per share data)

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
REVENUE					
Petroleum and natural gas sales	17(c)	**18,759**	26,158	**48,261**	82,056
Processing and other income		**444**	880	**1,901**	2,239
Royalties		**(1,544)**	(3,527)	**(4,913)**	(10,009)
Gain (loss) on derivative contracts	16(a)	**(551)**	(98)	**8,347**	(1,381)
Net revenue		**17,108**	23,413	**53,596**	72,905
EXPENSES					
Operating		**9,937**	12,828	**31,211**	38,176
Transportation		**288**	418	**1,026**	1,200
General and administrative	16(b)(i)	**1,179**	1,418	**5,129**	5,312
Share based compensation	12	**570**	744	**1,713**	2,345
Exploration and evaluation	5	**300**	466	**786**	918
Impairment of oil and gas assets	4	**-**	-	**60,923**	-
Loss on debt restructuring		**-**	636	**-**	636
Depletion and depreciation	4	**9,549**	9,556	**31,886**	26,838
Transaction costs		**-**	9	**2**	26
Finance	13	**3,322**	3,483	**9,887**	10,644
Total expenses		**25,145**	29,558	**142,563**	86,095
NET LOSS BEFORE TAXES		**(8,037)**	(6,145)	**(88,967)**	(13,190)
Deferred income tax	14	**-**	910	**-**	10,511
NET LOSS AND COMPREHENSIVE LOSS		**(8,037)**	(7,055)	**(88,967)**	(23,701)
NET LOSS PER SHARE	15				
Basic		**(0.19)**	(0.18)	**(2.06)**	(0.60)
Diluted		**(0.19)**	(0.18)	**(2.06)**	(0.60)

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		-	-	-	(88,967)	(88,967)
Share based compensation	12	-	1,713	-	-	1,713
Balance, September 30, 2020		**300,621**	**109,410**	**736**	**(466,062)**	**(55,295)**

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2019	291,964	107,842	1,702	(345,740)	55,768
Comprehensive loss	-	-	-	(23,701)	(23,701)
Flow-through shares issued, net of issue costs	7,253	-	-	-	7,253
Premium on flow-through shares	(865)	-	-	-	(865)
Warrants surrendered	-	-	(1,702)	-	(1,702)
Warrants issued on second-lien term debt issuance, net of deferred taxes	-	-	724	-	724
Share based compensation	-	2,464	-	-	2,464
Exercise of stock options	64	(17)	-	-	47
Settlement of restricted share units	89	(141)	-	-	(52)
Balance, September 30, 2019	298,505	110,148	724	(369,441)	39,936

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Cash Flows *(unaudited)*
For the three and nine months ended September 30, 2020 and 2019
(in thousands of Canadian dollars)

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
THE FOLLOWING ACTIVITIES:					
OPERATING					
Net loss and comprehensive loss		**(8,037)**	(7,055)	**(88,967)**	(23,701)
Adjustments for:					
Unrealized loss (gain) on derivative contracts	16(a)	**1,364**	(26)	**(852)**	934
Share based compensation	12	**570**	744	**1,713**	2,345
Depletion and depreciation	4	**9,549**	9,556	**31,886**	26,838
Loss on debt restructuring		**-**	636	**-**	636
Accretion of decommissioning liabilities	8	**564**	882	**1,584**	2,681
Accretion of lease obligations	13	**71**	89	**228**	273
Accretion of term debt	7	**46**	225	**132**	648
Exploration and evaluation expense	5	**300**	466	**786**	918
Impairment of oil and gas assets	4	**-**	-	**60,923**	-
Deferred income tax expense		**-**	910	**-**	10,511
Decommissioning costs incurred	8	**(37)**	(614)	**(411)**	(923)
Changes in non-cash working capital	17(a)	**360**	(1,534)	**1,674**	(5,096)
Cash flow provided by operating activities		**4,750**	4,279	**8,696**	16,064
FINANCING					
Changes in bank debt	6	**(1,297)**	4,438	**4,100**	(3,571)
Repayment of promissory notes		**-**	(8,000)	**-**	(8,000)
Flow-through share issuance, net of issue costs		**-**	7,253	**-**	7,253
Settlement of restricted share units		**-**	(20)	**-**	(52)
Exercise of stock options		**-**	-	**-**	47
Lease obligation payments	9	**(403)**	(416)	**(1,233)**	(1,209)
Changes in non-cash working capital	17(a)	**(65)**	10	**29**	72
Cash flow used in financing activities		**(1,765)**	3,265	**2,896**	(5,460)
INVESTING					
Additions to property, plant and equipment	4	**(1,850)**	(1,954)	**(5,928)**	(10,716)
Additions to exploration and evaluation assets	5	**(83)**	(135)	**(304)**	(189)
Additions to administrative assets	4	**-**	(6)	**-**	(12)
Acquisition of property, plant and equipment and exploration and evaluation assets		**-**	(332)	**(33)**	(768)
Disposition of property, plant and equipment and exploration and evaluation assets		**-**	-	**16**	485
Changes in non-cash working capital	17(a)	**(46)**	(5,452)	**(4,337)**	596
Cash flow used in investing activities		**(1,979)**	(7,879)	**(10,586)**	(10,604)
NET INCREASE (DECREASE) TO CASH		**1,006**	(335)	**1,006**	-
CASH, BEGINNING OF PERIOD		**-**	335	**-**	-
CASH, END OF PERIOD		**1,006**	-	**1,006**	-
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. DEBT RESTRUCTURING AND ASSET DISPOSITION

On October 30, 2020, Journey secured a $38 million term-debt facility to fund the settlement of its $75 million credit facility with its syndicate of first-lien lenders. In addition to the initial $38 million payment to the banking syndicate, Journey will also be contingently liable to pay the syndicate a maximum of $5.75 million over a three year period with the level of payment made tied to various levels of mixed, sweet, blended oil prices at the Edmonton, Alberta hub ("MSW") as reported by Natural Resources Canada. The payment in 2021 is capped at $750 thousand, 2022 is capped at $2.25 million and in 2023 the payment is capped to the aggregate total of $5.75 million.

The $38 million secured term debt facility is provided by three tranches, First tranche is $15 million that bears interest at 11.5% per annum and matures December 31, 2020. The second tranche is $10 million maturing October 31, 2021 and bears interest at 9.0% per annum. The third tranche is for principle amount of $13 million and matures 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. In connection with the term debt advances Journey will issue 5.0 million share-purchase warrants to AIMCo. The warrants entitle the holder to purchase one common share of Journey at an exercise price of $0.16 per warrant, which reflects a 25% premium to the 10 day weighted average trading price of Journey common shares leading up to October 30. The warrants have a four year term and expire in October 30, 2024. In addition a commitment fee of $5.35 million is payable to AIMCo October 30, 2024 and bears interest at rates which are dependent upon Edmonton mixed sweet oil prices. Below $65/bbl it bears interest at zero percent per annum, if prices are between $65/bbl and $80/bbl it bears interest at 5.0% per annum and if MSW prices exceed $80/bbl it bears interest at 10.0% per annum.

Journey has also entered into definitive agreements for the sale of assets in both its Countess area (including Journey's newly commissioned 4.2 megawatt power project); and also producing assets in its Telfordville area. Total gross proceeds from these asset sales is approximately $15 million before closing adjustments. The net proceeds from the sale are scheduled to be used to retire indebtedness associated with new term loans advanced from AIMCo on October 30, 2020.

The maturity date of the bank credit facility was set to occur on October 30, 2020 pursuant to the latest forbearance agreement. The facility was retired prior to October 30, 2020 as described above.

The above actions significantly improve the Company's debt and liquidity position. In addition, Journey is also pursuing a working capital line of credit to further improve the Company's short-term liquidity needs and to manage fluctuations in working capital requirements.

2. BASIS OF PRESENTATION AND GOING CONCERN

Going concern

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. While the Company has concluded substantial efforts to improve the overall debt position of the Company (see note 1), there continues to be material uncertainties caused by the Covid-19 Pandemic (see comments below) and the impacts it has had on commodity prices and Journey's debt and liquidity that cast significant doubt as to the Company's ability to continue as a going concern.

The Company was required to maintain a Liability Management Rating ("LMR") 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 not in compliance with this requirement at September 30th, 2020. However, as part of the restructuring of the debt of the Company, the term-debt provider has become the sole debt-provider to the Company and as part of the new debt agreements, has set a new LMR threshold of 1.75. The Company currently complies with the amended LMR threshold. 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.

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 September 30, 2020 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on November 11, 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 September 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	5,928	191	-	6,119
Changes in decommissioning obligations	39,102	-	-	39,102
Dispositions of property, plant and equipment	(16)	(12)	-	(28)
Transfer from exploration and evaluation	201	-	-	201
Balance, September 30, 2020	**1,315,178**	**6,893**	**4,340**	**1,326,411**

	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	(30,794)	(1,046)	(46)	(31,886)
Impairment	(60,923)	-	-	(60,923)
Balance, September 30, 2020	**(1,047,453)**	**(2,388)**	**(4,175)**	**(1,054,016)**

	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
September 30, 2020	**267,725**	**4,505**	**165**	**272,395**

Future development costs for proved and probable reserves of $206,662 (December 31, 2019 - $255,709) were included in the depletion calculation. During 2020 the Company did not capitalize any general and administrative or share based compensation costs. For the three and nine month periods ended September 30, 2019, the Company capitalized $132 and $387 respectively for salaries, wages and benefits; and $40 and $118 respectively for 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, interest rates, health of the sector and the general economy, well performance and near term development plans. 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 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. At September 30, 2020, Journey concluded there were no further indicators of impairment.

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	304
Acquisitions	33
Transfer to property, plant and equipment	(201)
Lease expiries	(786)
Balance, September 30, 2020	**8,014**

6. BANK DEBT

Subsequent to September 30, 2020, Journey settled its credit facility with the syndicate of banks (note 1) and no longer has any amount outstanding under the facility, except for the contingent payment described in Note 1, and is no longer in forbearance (December 31, 2019 - $79,000). At September 30, 2020 $73,000 was drawn (December 31, 2019 - $68,900). The facility was 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, as part of the forbearance the credit facility remained at $77,000 until it was renegotiated October 13, 2020. The terms of the current agreement include holding the bank line at $75 million until the termination of the last agreement, which was October 30, 2020

Advances under the facilities were 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 had 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 were secured by a $500,000 fixed and floating charge debenture over all assets of Journey.

The effective annualized interest rate on the credit facility for the three and nine months ended September 30, 2020 was 8.7% and 9.0% respectively (6.9% and 7.3% for the three and nine periods ended September 30, 2019).

	September 30, 2020	December 31, 2019
Bank indebtedness	**-**	3,900
Revolving credit facility	**73,000**	65,000
Deferred financing fees	**-**	(67)
Balance, at end of period	**73,000**	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 financing fees	30	15	**45**
Balance, December 31, 2019	22,787	20,867	**43,654**
Capitalized interest	1,367	946	**2,313**
Accretion	(140)	272	**132**
Deferred issuance expenses	(43)	(43)	**(86)**
Amortization of deferred financing fees	33	15	**48**
Balance, September 30, 2020	24,004	22,057	**46,061**

8. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from 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 September 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 September 30, 2020 has been discounted using an inflation adjusted interest rate of -0.2% (December 31, 2019 – 0.4%), which is comprised of a risk-free discount rate of 1.1% less an assumed inflation rate of 1.3%. As at September 30, 2020, 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 twelve month periods below were as follows:

	September 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	**(411)**	(2,236)
Revisions to estimates(2)	**-**	(61,985)
Changes in discount rate	**39,102**	44,513
Accretion	**1,584**	3,421
Balance, end of period	**206,753**	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 termination	(12)	-	(12)
Lease payments	-	(1,233)	(1,233)
Accretion	37	191	228
Balance, September 30, 2020	1,373	3,582	4,955

The discount rates used to determine the present value of the lease were from the stated rate stipulated in the lease. Where the lease did not specify a rate, the Company used a rate of 5.5% to discount the future lease liabilities. The undiscounted lease liability at September 30, 2020 is $5,330 (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 September 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 September 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 September 30, 2020 $1,708 (2019 – $2,364) was charged to share based compensation expense for RSU's and PSU's outstanding.

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

	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	(31)	(10)
Balance at September 30, 2020	**1,722**	**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 September 30, 2020	**1,145**	**2.05**	**1,138**

During 2020 no amount of share-based compensation expense was capitalized.

Share based compensation expense is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Stock option expense	**1**	27	**5**	99
PSU and RSU expense	**569**	757	**1,708**	2,364
Total share based compensation expense	**570**	784	**1,713**	2,463
Less: capitalized portion	**-**	(40)	**-**	(118)
Share based compensation expense	**570**	744	**1,713**	2,345

13. FINANCE EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Interest and bank charges	**2,641**	2,287	**7,943**	7,042
Accretion of decommissioning liabilities	**564**	882	**1,584**	2,681
Accretion of lease obligations	**71**	89	**228**	273
Accretion of term debt	**46**	225	**132**	648
Total finance expense	**3,322**	3,483	**9,887**	10,644

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 nine month periods ended September 30, 2020 and 2019 are accounted for as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Net loss before taxes	**(8,037)**	(6,145)	**(88,967)**	(13,190)
Expected income taxes, at the statutory rate of 25.5% (2019 – 26.5%)	**(2,050)**	(1,628)	**(22,687)**	(3,495)
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	**156**	209	**468**	657
Loss on debt restructuring	**-**	172	**-**	172
Changes in enacted rates	**-**	(98)	**-**	299
Non-deductible items	**-**	61	**1**	176
Deferred tax asset not recognized	**1,894**	2,194	**22,218**	12,702
Deferred income tax expense	**-**	910	**-**	10,511

15. PER SHARE AMOUNTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Net loss	**(8,037)**	(7,055)	**(88,967)**	(23,701)
Weighted average shares outstanding - basic	**43,087**	39,276	**43,087**	39,250
Weighted average shares outstanding - diluted	**43,087**	39,276	**43,087**	39,250
Net loss per share – basic	**$ (0.19)**	$ (0.18)	**$ (2.06)**	$ (0.60)
Net loss per share – diluted	**$ (0.19)**	$ (0.18)	**$ (2.06)**	$ (0.60)

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 the 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 September 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	-
Collar	500	WTI NYMEX	CDN$66.00-81.00	January 1, 2020 to December 31, 2020	557
Swap	500	NGX index	USD$6.50	January 1, 2020 to December 31, 2020	(94)
Total oil derivative contracts fair value					**463**

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	(67)
Total gas derivative contracts fair value					**(67)**
Total derivative contracts fair value					**396**

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

Commodity	10% increase	10% decrease
Oil	(261)	261
Gas	(7)	7

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Realized	**813**	(124)	**7,495**	(447)
Unrealized	**(1,364)**	26	**852**	(934)
	(551)	(98)	**8,347**	(1,381)

(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	**8,291**	15,193
Derivative contracts	**557**	113
Total	**8,848**	15,306

For the period ended September 30, 2020, Journey determined that $2,397 (2019 - $599) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At September 30, 2020, Journey estimated its provision for uncollectable accounts to be $2,522 (2019 - $634). Accounts receivable balances outstanding greater than ninety days at September 30, 2020 were $2,992 (2019 – $1,488). 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 September 30, 2020 would result in a $730 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 September 30, 2020:

	< 1year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	17,012	-	-	**17,012**
Derivative contracts	161	-	-	**161**
Bank debt and bank indebtedness	73,000	-	-	**73,000**
Term debt - principal	46,313	-	-	**46,313**
Interest on bank debt	2,902	-	-	**2,902**
Interest on term debt	4,439	-	-	**4,439**
	143,827	-	-	**143,827**

17. SUPPLEMENTAL INFORMATION

a) *Changes in non-cash working capital*

	Three months ended September 30,		Nine months ended September 30,	
Sources (uses) of funds:	**2020**	2019	**2020**	2019
Accounts receivable	**631**	543	**6,902**	(3,441)
Prepaid expenses and deposits	**(466)**	175	**(1,175)**	(1,307)
Deferred financing charge	**(65)**	10	**29**	72
Capitalized interest	**-**	-	**2,313**	-
Accounts payable and accrued liabilities	**149**	(7,704)	**(10,703)**	248
	249	(6,976)	**(2,634)**	(4,428)
Related to:				
Operating activities	**360**	(1,534)	**1,674**	(5,096)
Financing activities	**(65)**	10	**29**	72
Investing activities	**(46)**	(5,452)	**(4,337)**	596
	249	(6,976)	**(2,634)**	(4,428)

b) *Supplementary cash flow information*

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Interest paid	**942**	1,247	**3,470**	4,178

c) Revenue by product type

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Crude oil	**12,425**	22,917	**32,113**	66,379
Natural gas	**5,153**	2,207	**13,137**	11,776
Natural gas liquids	**1,181**	1,034	**3,011**	3,901
Petroleum and natural gas sales	**18,759**	26,158	**48,261**	82,056

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	2023	After
Natural gas transportation	**833**	133	299	195	91	115

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.

20. SUBSEQUENT EVENT

On October 30, 2020 Journey monetized all remaining financial instruments and realized net proceeds of $570.