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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Journey Energy Inc.

Opinion

We have audited the consolidated financial statements of Journey Energy Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statement of comprehensive loss for the years then ended
- the consolidated statement of changes in equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the financial statements which indicates that at December 31, 2019 the Entity's bank debt outstanding on the lines of credit aggregated $68.9 million. The maximum amount available on lines of credit at December 31, 2019 was $79 million, reducing to $75 million by April 2020. The credit facility matures on October 31, 2020 and if not extended by the lenders amounts drawn on the facilities are due in full on the maturity date. As stated in note 2 in the financial statements, these events or conditions, along with other matters as set forth in note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Shane Doig.

KPMG LLP

Chartered Professional Accountants

March 9, 2020
Calgary, Canada

MANAGEMENT'S REPORT

To the Shareholders of Journey Energy Inc.

Management's Responsibility for the Consolidated Financial Statements:

The accompanying Consolidated Financial Statements of Journey Energy Inc. (the "Company") are the responsibility of Management and have been approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS"). The Consolidated Financial Statements and related financial information reflect amounts, which are based upon informed estimates and judgements of Management with appropriate consideration to materiality. When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management's Assessment of Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Management has established systems for internal controls, which are designed to provide reasonable assurance the Company's assets are safeguarded from loss or unauthorized use and to produce relevant, reliable and timely accounting records for the preparation of financial information to Management. Internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems that have been determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, which is comprised of independent, non-management directors. The Audit Committee meets at least on a quarterly basis to review and approve the Consolidated Financial Statements with Management and the Company's auditors, prior to their release. In addition, the Audit Committee meets annually to review the annual Consolidated Financial Statements and to recommend their approval to the Board of Directors. The Board of Directors has approved the Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by KPMG LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders. KPMG LLP was appointed by a vote of the shareholders at the Company's last annual meeting. The auditors have full and free access to, and meet periodically and separately with, the Audit Committee, and management to discuss their audit findings.

Alex G. Verge
President and Chief Executive Officer

Gerald N. Gilewicz
Chief Financial Officer

Calgary, Canada
March 9, 2020

JOURNEY ENERGY INC.

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

	Notes	**December 31, 2019**	December 31, 2018
ASSETS			
CURRENT			
Accounts receivable		**15,193**	9,220
Derivative contracts	18(b)	**113**	1,229
Prepaid expenses and deposits		**1,209**	1,858
Total current assets		**16,515**	12,307
Property, plant and equipment	6	**319,810**	341,808
Exploration and evaluation assets	7	**8,664**	13,410
Deferred tax asset	16	**-**	13,199
Total assets		**344,989**	380,724
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**27,715**	16,878
Derivative contracts	18(b)	**569**	-
Bank debt	8	**68,833**	1,009
Deferred lease obligation		**-**	62
Lease obligation	11	**1,289**	-
Decommissioning liabilities	10	**2,600**	2,945
Total current liabilities		**101,006**	20,894
Bank debt	8	**-**	75,458
Term debt	9	**43,654**	49,436
Lease obligation	11	**4,492**	-
Deferred lease obligation		**-**	264
Decommissioning liabilities	10	**163,878**	178,904
Total liabilities		**313,030**	324,956
EQUITY			
Share capital	12	**300,621**	291,964
Contributed surplus		**107,697**	107,842
Warrants	13	**736**	1,702
Deficit		**(377,095)**	(345,740)
Total equity		**31,959**	55,768
Total liabilities and equity		**344,989**	380,724
Commitments and contingencies	*21*		
Going concern	*2(d)*		

The accompanying notes are an integral part of these consolidated Financial Statements.

APPROVED BY THE BOARD

"Signed" **Jeffrey K. Bowers, Director**

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

JOURNEY ENERGY INC.

Consolidated Statement of Comprehensive Loss
For the years ended December 31, 2019 and 2018
(in thousands of Canadian dollars, except per share data)

	Notes	**2019**	2018
REVENUE			
Petroleum and natural gas sales	19(c)	**109,190**	115,041
Processing and other income		**3,175**	3,410
Royalties		**(13,775)**	(15,386)
Loss on derivative contracts	18(b)	**(1,938)**	(8,307)
Total revenue		**96,652**	94,758
EXPENSES			
Operating		**51,861**	52,984
Depletion and depreciation	6	**35,373**	33,193
Finance expenses	15	**13,738**	13,201
General and administrative		**6,928**	9,718
Share based compensation	14	**2,871**	2,868
Transportation		**1,854**	1,864
Exploration and evaluation asset impairment	7	**1,238**	1,186
Exploration and evaluation	7	**1,209**	2,057
Loss on debt modification	9	**636**	-
Transaction costs		**27**	194
Gain on disposal of assets	6	**-**	(4,064)
Total expenses		**115,735**	113,201
NET LOSS BEFORE INCOME TAXES		**(19,083)**	(18,443)
INCOME TAXES			
Premium on flow-through shares	16	**(865)**	-
Deferred income taxes	16	**13,137**	19,004
Total income tax expense		**12,272**	19,004
NET LOSS AND COMPREHENSIVE LOSS		**(31,355)**	(37,447)
NET LOSS PER SHARE	17		
Basic		**(0.78)**	(0.94)
Diluted		**(0.78)**	(0.94)

The accompanying notes are an integral part of these consolidated Financial Statements.

JOURNEY ENERGY INC.

Consolidated Statement of Changes in Equity

(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2019		291,964	107,842	1,702	(345,740)	55,768
Net loss and comprehensive loss		-	-	-	(31,355)	(31,355)
Warrants surrendered	13	-	-	(1,702)	-	(1,702)
Warrants issued	13	-	-	736	-	736
Share issuance, net of costs	12(i)	7,236	-	-	-	7,236
Premium on flow-through shares		(865)	-	-	-	(865)
Share based compensation		-	3,258	-	-	3,258
Stock option exercise		64	(17)	-	-	47
Settlement of RSU's and PSU's		2,222	(3,386)		-	(1,164)
Balance, December 31, 2019		**300,621**	**107,697**	**736**	**(377,095)**	**31,959**

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2018	386,017	32,301	-	(308,293)	110,025
Net loss and comprehensive loss	-	-	-	(37,447)	(37,447)
Warrants issued	-	-	1,702	-	1,702
Share repurchase	(95,674)	74,338	-	-	(21,336)
Share based compensation	-	3,277	-	-	3,277
Stock option exercise	17	(5)	-	-	12
Settlement of RSU's and PSU's	1,604	(2,069)		-	(465)
Balance, December 31, 2018	291,964	107,842	1,702	(345,740)	55,768

JOURNEY ENERGY INC.

Consolidated Statement of Cash Flows
For the years ended December 31, 2019 and 2018
(in thousands of Canadian dollars)

	Notes	**2019**	2018
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:			
OPERATING			
Net loss		**(31,355)**	(37,447)
Adjustments for:			
Unrealized loss (gain) on derivative contracts	18(b)	**1,685**	(3,386)
Share based compensation	14	**2,871**	2,868
Depletion and depreciation	6	**35,373**	33,193
Gain on disposal of assets	6	**-**	(4,064)
Loss on debt restructuring	9	**636**	-
Exploration and evaluation asset impairment	7	**1,238**	1,186
Accretion of decommissioning liabilities	10	**3,421**	3,919
Accretion of lease obligations	11	**355**	-
Accretion of term debt	9	**686**	769
Deferred tax expense	16	**12,272**	19,004
Exploration and evaluation	7	**1,209**	2,057
Decommissioning costs	12	**(2,236)**	(1,288)
Change in non-cash working capital	19(a)	**1,593**	(1,396)
Total cash flow provided by operating activities		**27,748**	15,415
FINANCING			
Increase (decrease) in bank debt		**(7,609)**	6,509
Proceeds from issuance of promissory notes	9	**-**	22,000
Repayment of promissory notes	9	**(8,000)**	-
Exercise of stock options		**47**	12
Settlement of RSU's		**(1,164)**	(465)
Flow-through share issuance, net of issue costs	12(i)	**7,236**	-
Share repurchase	12(ii)	**-**	(21,336)
Lease payments	11	**(1,613)**	-
Change in non-cash working capital	19(a)	**(34)**	8
Total cash flow provided by financing activities		**(11,137)**	6,728
INVESTING			
Additions to petroleum and natural gas properties	6	**(19,829)**	(26,034)
Additions to exploration and evaluation assets	7	**(267)**	(2,146)
Additions to administrative assets	8	**(12)**	(37)
Acquisition of producing petroleum and natural gas assets and exploration and evaluation assets	6,7	**(908)**	(3,820)
Disposition of producing petroleum and natural gas assets and exploration and evaluation assets	6	**485**	5,393
Change in non-cash working capital	19(a)	**3,920**	(3,726)
Total cash flow used in investing activities		**(16,611)**	(30,370)
NET DECREASE IN CASH		**-**	(8,227)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**-**	8,227
CASH AND CASH EQUIVALENTS, END OF YEAR		**-**	-

Supplementary cash flow information 19 (b)

The accompanying notes are an integral part of these consolidated Financial Statements.

1. INCORPORATION AND NATURE OF BUSINESS

Journey Energy Inc. ("Journey" or "the Company"), is a publicly traded company engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta, Canada. Journey's shares trade on the Toronto Stock Exchange.

These consolidated financial statements present the results of operations for the Journey group of companies. Journey is comprised of the following entities: the Company and its wholly owned subsidiaries, Journey Energy Partnership and 1332993 Alberta Ltd.

The registered address of Journey is 2400, 525 8th Avenue SW Calgary, Alberta, Canada and the corporate head office is located at 700, 517-10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of the Company were authorized by the Board of Directors March 9, 2020.

b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except as disclosed in the accounting policies in Note 3.

c) Functional and presentation currency and share data

The consolidated financial statements are presented in Canadian Dollars, the Company's functional currency and all amounts are rounded to the nearest thousand ($'000) except where otherwise indicated. Share data is presented in thousands of shares except for per share data. The consolidated financial statements have, in management's opinion, been prepared using careful judgment within the framework of the significant judgments, estimates and assumptions summarized in note 4.

d) Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

At December 31, 2019, bank debt outstanding on the Company's lines of credit aggregated $68.9 million (Note 8). The maximum amount available on lines of credit at December 31, 2019 was $79 million, reducing to $75 million by April 30, 2020. The credit facility matures on October 31, 2020 and if not extended by the lenders, the amounts drawn on the facilities would become due on the maturity date. In addition, the facility is subject to semi-annual reviews of the borrowing base, with the next review scheduled to conclude before April 30, 2020 (see also Note 8). The available amount under the lines of credit are dependent on the lenders determination of the borrowing base, which is based predominately on the amount of the Company's proved producing oil and natural gas reserves. The current state of the Canadian energy industry coupled with continued declines in commodity prices have negatively impacted

the available amount of the credit facilities. There is a material uncertainty related to the Company's ability to maintain the credit facilities at levels that support the ongoing operations of the Company.

Considerable actions have been taken to maintain the Company's liquidity including refinancing the term notes and extending certain maturity dates (Note 9); issuing common shares in 2019 for net proceeds of $7,236 (Note 12(i)), reducing the capital program to align with available cash resources and continuing a commodity hedging program for a significant portion of the Company's production. Management has been successful in the past in raising equity and maintaining the borrowing base of the credit facilities at levels in excess of the amounts drawn. Management will continue to focus on reducing debt levels and managing the capital and asset abandonment program at levels that coincide with available resources. However, there are no assurances that the lenders will continue to extend the lines of credit or maintain the borrowing base at current levels.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

b) Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

c) Joint arrangements

Many of Journey's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These consolidated financial statements reflect only Journey's share of these jointly controlled assets, and once production commences, a proportionate share of relevant revenue and related costs.

d) Revenue recognition

Revenue is comprised of the fair value of the consideration received or receivable from the sale of natural gas and crude oil products in the ordinary course of the Company's activities and is recognized when control is transferred to the purchaser. This is generally met when title passes from the Company to its customer. Revenue from oil and gas production represents the Company's share, net of royalty payments to governments and freehold interest owners.

e) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, Journey Energy Partnership and 1332993 Alberta Ltd. (collectively "Journey Energy Inc."). The Company's subsidiaries include both incorporated and unincorporated entities, such as the partnership, for which the Corporation has the power to govern financial and operating policies. All intercompany transactions and balances are eliminated on consolidation.

f) Oil and natural gas exploration, evaluation and development expenditures

i) Pre-exploration expenditures

Expenditures made by the Company during the geological and geophysical evaluation phase and before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed by the Company as incurred.

ii) Exploration and evaluation expenditures ("E&E")

Costs incurred after obtaining the rights to explore are capitalized as E&E intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include, but are not limited to, exploration license expenditures, leasehold acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability has been determined. If no reserves are found, the exploration asset is tested for impairment and if necessary, an impairment charge recognized as exploration and evaluation expense in the statement of comprehensive income may be taken. If extractable hydrocarbons are found and likely to be commercially developed, the costs will continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. The technical feasibility and commercial viability of extracting a hydrocarbon is considered determinable when proven or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven or probable reserves have been discovered and to confirm the continued intent to develop or otherwise extract value from the discovery. Upon determination of proven or probable reserves, exploration and evaluation assets attributable to those reserves are tested for impairment and reclassified from exploration and evaluation assets to oil and natural gas interest within property, plant and equipment. Expired lease costs are expensed as part of exploration and evaluation expense as they occur.

iii) Development and production costs

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. The cost of development and production assets includes: transfers from exploration and evaluation assets, which generally include the cost to drill development wells, including unsuccessful development or delineation wells, and the cost of associated land upon determination of technical feasibility and commercial viability; installation or completion of infrastructure facilities including the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads; are all capitalized within Cash Generating Units ("CGUs") unless impaired. Development and production assets are grouped into CGUs for impairment testing. As at December 31, 2019 the Company has the following CGUs: Pine Creek, Pembina, Matziwin, Herronton, Skiff, Gilby, Crystal, Cherhill, and Countess.

iv) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of comprehensive income as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proven and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of

the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income (loss) as incurred.

v) Depletion and depreciation

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The net carrying value of development and production assets is depleted using the unit-of-production method based on production for the period divided by the Company's estimated total proved and probable oil and natural gas reserve volumes (before royalties) for that area. Production and reserves volumes for natural gas are converted at the energy equivalent of six thousand cubic feet of natural gas to one barrel of oil. Estimates of future development costs for developing the proved and probable reserves are included in each area's depletion base.

Depreciation of office furniture and equipment is provided for on a 20% declining balance basis, and computers and ancillary equipment use a 30% declining balance basis.

vi) Dispositions

Gains or losses are recognized on dispositions of property, plant and equipment and certain exploration and evaluation assets including asset swaps, farm-out transactions and complete dispositions. The gain or loss is measured as the difference between the fair value of the proceeds received, net of costs to sell, and the carrying value of the assets disposed, including capitalized asset decommissioning costs, unless the transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up can be reliably measured. When fair value is not used, the carrying amount of the asset given up is used as the cost of the asset acquired.

g) Impairment

I. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if the evidence indicates that one or more events have had a negative impact on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss in the period that the impairment is determined to have occurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of comprehensive income.

In relation to trade receivables, the Company employs an expected credit loss policy to derive the provision for impairment by risking outstanding accounts receivable to recognize an expected loss amount on the outstanding balance. Provisions for uncollectable amounts are also recorded when there is objective evidence (such as financial difficulty or the probability of default by the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the

use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

II. Non-financial assets

Carrying values of exploration and evaluation assets, oil and gas properties and other property, plant and equipment are reviewed regularly to determine if indicators of impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the greater of the fair value of the asset less costs of disposal and the asset's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case it is determined at the CGU level. The Company has organized its assets into CGUs, which are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

If the carrying amount of the CGU exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of comprehensive income to reduce the carrying amount of the CGU to its recoverable amount.

Recoverable amounts are determined annually based on the greater of its fair value less costs of disposal or the value in use. Fair value less costs of disposal of oil and gas assets is generally determined by estimating the discounted after-tax future net cash flows for the CGUs. Future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the proved and probable reserves and then discounted using market-based rates to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU. Value in use is determined by estimating the present value of future net cash flows expected to be derived from the continued use of the asset in its present form and its eventual disposal.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if objective evidence exists to support that there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income (loss) net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liability

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

A decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made as at the Consolidated Statement of Financial Position date by management. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is recognized as accretion expense within finance expenses. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent that the provision was recognized.

i) Share based compensation

The Company has a stock option plan under which the entity may grant employees and directors the option to purchase common shares of the Company. The Board of Directors and shareholders have approved a policy of reserving up to 10% of the outstanding common shares plus 750,000 for issuance to reward eligible participants. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary date of the grant. The Company accounts for stock options granted using the fair-value method, which estimates the value of the options at the grant date using a Black Scholes pricing model. The fair value thus established is recognized as compensation expense over the service period with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

The Company also has an award plan comprised of the Restricted Stock Unit "RSU" plan and the Performance Stock Unit "PSU" plan. Under these plans, the Company may grant employees, directors and consultants RSU's and or PSU's that vest over two or three year periods from the date of issuance. RSU's vest fifty percent on the second anniversary date of issuance and fifty percent on the third anniversary date of issuance. In 2018, the RSU's vesting conditions on the October issuance was amended to vest equally over three years on the anniversary date of the issuance. The PSU's cliff vest on the third anniversary date of issuance. The PSU plan also contains a performance multiplier that ranges from zero to two hundred percent based on the Company's performance relative to a defined group of companies that are considered by Journey's compensation consultant to be a suitable compensation peer group. Journey has the option of settling the units that vest either with shares of Journey or with cash. Share based compensation expenses related to RSU's and PSU's is determined by the fair value method. Fair value is determined by using the market price of Journey shares on the date of issuance. For PSU's an assumed multiplier of 1.0 is used to determine their aggregate share-based compensation expense. The fair value is then recognized as compensation expense over the vesting period with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of units that actually vest.

j) Finance income and expenses

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance expense is comprised of: interest expense on borrowings, accretion of the discount rate on provisions, promissory notes and impairment losses recognized on financial assets.

k) Deferred Income taxes

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized and the carry forward of unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they will be realized simultaneously.

l) Leases

Accounting policy prior the adoption of IFRS 16
Operating lease payments are recognized as an expense in net income (loss) and comprehensive income (loss) on a straight-line basis over the lease term.

Accounting policy after the adoption of IFRS 16
Leases are recognized as a right-of-use (“ROU”) asset with a corresponding liability at the date of which the leased asset is available for use by the Corporation. Each lease payment is allocated between the lease liability and finance expense. The finance expense is charged to the Statement of Comprehensive Income (Loss) over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period. The ROU asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. ROU assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date and any initial direct costs and restoration costs. Lease liabilities include the net present value of fixed payments, less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation’s incremental borrowing rate if the implicit rate cannot be determined.

Leases with a term of 12 months or less and of an immaterial value are exempt from IFRS 16. Payments made for these items are charged to the statement of comprehensive income (loss) on a straight-line basis over the period of the lease.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in the Statement of Comprehensive Income (Loss) that reflects the proportionate decrease in scope.

m) Basic and diluted per share calculations

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. The Company uses the treasury stock method to determine the dilutive effect of share based payments. Under the treasury stock method, only "in-the-money" dilutive instruments impact the diluted calculations in computing diluted per share amounts.

n) Financial instruments

All financial instruments, including all derivatives, are recognized on the Consolidated Statement of Financial Position initially at fair value. Subsequent measurement of financial assets and liabilities depends on the classification of the item as discussed below. The Company uses the following classifications for its financial instruments:

Financial asset or liability	Measurement
Cash and cash equivalents	Amortized cost
Accounts receivable and accrued revenues	Amortized cost
Derivative contracts	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Bank debt	Amortized cost
Term debt	Amortized cost

Transaction costs attributable to financial instruments recorded at amortized cost are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument using the effective interest rate method.

The Company uses, from time to time, financial derivatives and non-financial derivatives, such as commodity sales contracts requiring physical delivery, to manage the price risk attributable to anticipated sale of petroleum and natural gas production and foreign exchange exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes. Journey has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, financial derivatives are classified as fair value through the statement of comprehensive income (loss) and are recorded on the Consolidated Statement of Financial Position at fair value.

The Company accounts for any physical sales and purchase contracts as executory contracts and as such are not recorded at fair value on the Consolidated Statement of Financial Position. Settlements on these physical sales contracts are recognized in petroleum and natural gas sales.

Derivatives embedded in financial liabilities recorded at amortized cost are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract.

Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination.

Financial instruments measured at fair value on the Consolidated Statement of Financial Position require classification into one of the following levels of the fair value hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The Company has categorized its financial instruments on the Consolidated Statement of Financial Position according to the fair value hierarchy above (Note 18).

Level 3 – Inputs for the asset or liability that are not based on observable market data. Journey has no assets or liabilities that use level 3 inputs.

o) Flow through shares

Flow through shares permit an investor to claim deductions for tax purposes related to expenditures incurred by the issuer. The issuer explicitly renounces the right to claim these deductions in favor of the investor.

The proceeds from the issuance of flow through shares are allocated between the offering of shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the flow through shares. A deferred liability is recognized for this difference. The liability is derecognized when the qualifying tax attributes are renounced to the investor and qualifying expenditures have been incurred. At the time the renunciation documents are filed with the taxing authorities and the qualifying expenditures have been incurred, a deferred tax liability is recognized for the tax benefits foregone. Any difference between the deferred liability set up for the premium on the flow-through shares and the tax effect on the renounced expenditures is recognized in statement of comprehensive loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

I. Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount, which involves an estimate of uncollectible amounts.

II. Derivatives

The fair value of derivative contracts are based on published market prices as at the Consolidated Statement of Financial Position date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are recognized in the statement of comprehensive income (loss). The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices.

III. Oil and gas reserves

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "*Standards of Disclosure for Oil and Gas Activities*" and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable reserves are determined using estimates of oil and natural gas in place, recovery factors and future commodity prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. The key estimates used in the determination of cash flows from oil and natural gas reserves include the following:

i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates can materially affect the estimation of reserves.

ii) Oil, natural gas and natural gas liquids prices – Forward price estimates are used in the cash flow models. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather and economic and geopolitical factors.

Estimating reserves is very complex, requiring many judgements based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or a negative impact on net earnings as further information becomes available and as the economic environment changes.

IV. Depletion and depreciation

Depletion of oil and gas properties is provided using the unit-of-production method and is based on sales volumes (before royalties) in relation to total estimated proved and probable reserves as determined by internal reserve evaluations for the first three quarters of the year and then at year-end by the Company's independent engineers. Natural gas reserves and sales volumes are converted at an assumed energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion of oil and gas properties including production equipment and facilities are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated net realizable value of production equipment and facilities after the reserves are fully produced. Exploration and evaluation costs are excluded from depletion calculations.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that the actual sales volume in the future is different from current forecast sales volume. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in proved and probable reserves.

- Changes in estimates of future development costs.
- The effect on proved and probable reserves of differences between actual production as compared to forecasts as well as commodity price assumptions.
- Unforeseen operational issues.

V. Exploration and evaluation ("E&E") assets

The decision to transfer assets from E&E to property, plant and equipment is based on the estimated proved and probable reserves, which are in part used to determine a project's technical feasibility and commercial viability.

VI. Impairment and impairment recoveries

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to dispose. These calculations require the use of estimates and assumptions including information on future commodity prices, expected sales volumes, quantity of reserves, discount rates, as well as future development and operating costs. Key assumptions in the determination of cash flows from reserves include reserves estimated by the Company's independent qualified reserve evaluators. It is possible that any or all of these key assumptions may change which may then impact the estimated values of the oil and gas properties and then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

VII. Cash Generating Unit ("CGU") definition

The determination of CGUs requires judgement in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality. The asset composition of a CGU can directly affect the recoverability of the assets included therein.

VIII. Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of certain facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In addition, the Company determines the appropriate discount rate at the end of each reporting period. The Company uses a risk-free discount rate to determine the present value of the estimated future cash outflows to settle the obligation and may change in response to numerous market factors. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

IX. Share based compensation

The fair value of stock options and performance warrants granted are measured using a modified Black-Scholes pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option, the expected volatility of the Company's shares, the expected life of the options and warrants, expected dividends and the risk-free rate of return. Where applicable, the expected volatility considers the historical volatility in the price of Journey's publicly traded common shares over a period similar to the life of the equity grant, and in Management's opinion, is indicative of future trends. The expected life of the options is

based on historical experience and estimates of the holder's behaviour. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest.

X. Income taxes

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction in which the Company operates.

XI. Business Combinations

The determination of whether a transaction is a business combination or an asset acquisition is based on Management's assessment of each individual transaction based on the criteria outlined in IFRS 3. If determined to be a business combination the Company applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, the liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction.

5. NEW IFRS STANDARDS

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively, treating all leases as finance leases. Short-term leases of less than 12 months and leases of low value assets are exempt from the requirements and can continue to be treated as operating leases. Lessors will continue with the dual classification and that classification will determine how and when lease revenue will be recognized and what assets will be recorded. IFRS 16 was effective for years beginning on or after January 1, 2019.

Journey adopted the standard on the effective date of January, 1, 2019 and has selected the modified retrospective approach. We have also elected to exempt short-term leases and leases of low value assets. On adoption, the Company recognized lease obligation liabilities at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as of January 1, 2019 of approximately 5.5%. At adoption Journey also recognized an equivalent amount of Right of Use ("ROU") assets were included in property, plant and equipment. The ROU assets and lease obligations recognized are primarily related to Journey's head office lease. In addition, as required under IFRS 16, upon adoption the deferred lease obligation of $326 was offset against the right of use asset. The initial lease obligation and ROU asset recognized was $6,919. The ROU asset is included in property, plant, and equipment and depreciated over the remaining life of the leases.

6. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Right of use assets	Other	Total
Balance, January 1, 2018	1,236,982	-	4,291	1,241,273
Additions	26,034	-	37	26,071
Acquisition of producing petroleum and natural gas assets	452	-	-	452
Changes in decommissioning obligations	5,492	-	-	5,492
Capitalized share-based compensation	409	-	-	409
Dispositions of producing petroleum and natural gas assets	(6,368)	-	-	(6,368)
Transfer from exploration and evaluation assets	313	-	-	313
Balance, December 31, 2018	1,263,314	-	4,328	1,267,642
Additions	19,829	6,714	12	26,555
Acquisition of producing petroleum and natural gas assets	249	-	-	249
Changes in decommissioning obligations	(16,556)	-	-	(16,556)
Capitalized share-based compensation	387	-	-	387
Dispositions of producing petroleum and natural gas assets	(485)	-	-	(485)
Transfer from exploration and evaluation assets	3,225	-	-	3,225
Balance, December 31, 2019	**1,269,963**	**6,714**	**4,340**	**1,281,017**

Accumulated Depletion, Depreciation and Impairment losses	Petroleum and natural gas properties	Right of use assets	Other	Total
Balance, January 1, 2018	(891,865)	-	(3,926)	(895,791)
Provision for the year	(33,076)	-	(117)	(33,193)
Disposals	3,150	-	-	3,150
Balance, December 31, 2018	(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)**

Carrying Amounts	Petroleum and natural gas properties	Right of use assets	Other	Total
January 1, 2018	345,117	-	365	345,482
December 31, 2018	341,523	-	285	341,808
December 31, 2019	**314,227**	**5,372**	**211**	**319,810**

Future development costs on proved plus probable undeveloped reserves of $255,709 (December 31, 2018 - $206,913) were included in the depletion calculation. During the year ended December 31, 2019, the Company capitalized $519 (2018 - $1,271) in salary, wages and benefits, and $387 (2018 – $409) of share based compensation expense that was directly related to developmental drilling activities.

In 2019 the Company disposed of non-core properties for proceeds of $485 (2018 - $5,393). During 2019 Journey made four minor acquisitions for a cumulative acquisition cost of $249 (cash consideration $249). The impact of these acquisitions on revenue and net loss was not significant.

At December 31, 2019, the Company assessed whether there were indicators of impairment. The assessment factored in reserves, change in commodity prices year over year, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined

that impairment indicators were present for the Herronton CGU only and as a result, this CGU was tested for impairment. It was ultimately determined that the carrying amount of the Herronton CGU had not exceeded its recoverable amount and therefore there was no impairment. The recoverable amount was calculated as the fair value of the assets less cost of disposal. The fair value less costs to dispose was determined using a discounted cash flow approach based on the year-end 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 2019 reserve report.

	WTI Cushing Oklahoma ($US/bbl)	**MSW Light Edmonton 40 API ($CDN/bbl)**	**Alberta AECO-spot ($CDN/mmbtu)**	**Foreign Exchange ($US/$CDN)**
2020	61.00	72.64	1.82	0.7600
2021	63.75	76.06	2.10	0.7700
2022	66.18	78.35	2.39	0.7850
2023	67.91	80.71	2.48	0.7850
2024	69.48	82.64	2.58	0.7850
2025	71.07	84.60	2.66	0.7850
2026	72.68	86.57	2.72	0.7850
2027	74.24	88.49	2.78	0.7850
2028	75.73	90.31	2.85	0.7850
2029	77.24	92.17	2.92	0.7850
2030	78.79	94.01	2.99	0.7850
2031	80.36	95.89	3.05	0.7850
2032	81.97	97.81	3.11	0.7850

The annual escalation rate used after 2032 is 2.0%.

At December 31, 2018, the Company assessed whether there were indicators of impairment. The assessment factored in reserves, change in commodity prices year over year, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined that indicators were present for the Herronton CGU only and as a result, it was tested. It was determined that the carrying amount of the Herronton CGU had not exceeded its recoverable amount and therefore there was no impairment. Recoverable amount was calculated as the fair value of the assets less cost of disposal. The fair value less costs to dispose was determined with a discounted cash flow approach based on the year-end proved plus probable reserves and using an average of three reserve engineer's forecast commodity prices. Journey used an after-tax risk adjusted discount rate 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 2018 reserve report.

	WTI Cushing Oklahoma ($US/bbl)	MSW Light Edmonton 40 API ($CDN/bbl)	Alberta AECO-spot ($CDN/mmbtu)	Foreign Exchange ($US/$CDN)
2019	58.58	67.30	1.88	0.7567
2020	64.60	75.84	2.31	0.7817
2021	68.20	80.17	2.74	0.7967
2022	71.00	83.22	3.05	0.8033
2023	72.81	85.34	3.21	0.8267
2024	74.59	87.33	3.31	0.8083
2025	76.42	89.50	3.39	0.8083
2026	78.40	91.89	3.46	0.8083
2027	79.98	93.76	3.54	0.8083
2028	81.59	95.68	3.62	0.8083
2029	83.22	97.57	3.70	0.8083
2030	84.87	99.52	3.78	0.8083
2031	86.57	101.52	3.85	0.8083

The annual escalation rate used after 2031 is 2.0%.

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the Company's exploration projects, which are pending the determination of proven or probable reserves. For the year ended December 31, 2019 $3,225 (December 31, 2018 - $313) was transferred to property, plant and equipment following the successful discovery of proven or probable reserves. Management determined that the fair value less costs of disposal of certain undeveloped lands had declined below Journey's carrying values and consequently an impairment of $1,238 (2018 - $1,186) was realized.

Balance, January 1, 2018	11,333
Additions	2,146
Acquisitions	3,659
Disposals	(172)
Lease expiries	(1,982)
Transfer to expense	(75)
Transfer to property, plant and equipment assets	(313)
Impairment	(1,186)
Balance, December 31, 2018	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**

8. BANK DEBT

Journey has an available credit facility of $79,000 at December 31, 2019 (December 31, 2018 - $100,000) with a syndicate of Canadian banks. This facility is comprised of a production facility of $64,000 and a working capital facility of $15,000. The credit facility reduces by $1,000 per month until it reaches $75,000 at April, 30, 2020. The production and working capital facilities are available on a revolving basis until October 31, 2020. Upon Journey's request, and subject to the syndicates' approval, the facilities may be

extended each year pursuant to the annual review. If the syndicate does not extend the facilities, then the full amount will become due and payable on October 31, 2020. Advances under the facilities are available by way of prime rate loans with interest rates ranging between 2.0 percent and 5.5 percent above the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 3.0 percent to 6.5 percent depending on the debt to cash flow ratio as calculated as of the Company's immediately preceding quarterly earnings period. In addition, standby fees on the undrawn facilities are charged at rates ranging from 0.75 percent to 1.625 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility, including renewal fees for the year ended December 31, 2019 was 7.5% (December 31, 2018 – 6.6%). At December 31, 2019, the Company had an outstanding letter of credit in the amount of $65 that expires on June 30, 2020.

The credit facilities are secured by a $500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base based on changes to reserves and/or forecast prices. There is one financial covenant in the credit facility that requires the Company to maintain its Liability Management Rating greater than 2.0. In addition, there are certain standard non-financial covenants in the credit facility agreement. Journey is in compliance with all covenants as at December 31, 2019 and December 31, 2018.

	December 31, 2019	December 31, 2018
Bank indebtedness	**3,900**	1,009
Revolving credit facility	**65,000**	75,500
Unamortized deferred financing costs	**(67)**	(42)
Balance, at end of year	**68,833**	76,467

9. TERM DEBT

On October 6, 2016 Journey entered into a private placement of promissory notes ("Promissory Notes (A)") for aggregate proceeds of $30,000. The promissory notes bear interest at 7.65% per annum with interest payable semi-annually. In addition, 4,950 common share purchase warrants were issued as part of the financing with an exercise price of $2.75 per warrant. All of these warrants were exercised in 2017. The Notes originally were scheduled to mature on October 31, 2020. The Notes were secured by a $30,000 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 8). The fair value of the notes was determined at the date of issuance to be $27,924 with an effective interest rate of 9.4%. For the year ended December 31, 2018 Journey recognized $2,295 of interest and $492 of accretion related to the Promissory Notes (A).

On February 1, 2018 Journey entered into a second private placement of promissory notes ("Promissory Notes (B)") for aggregate proceeds of $22,000. These promissory notes bear interest at 7.65% per annum with interest payable semi-annually. The Promissory Notes (B) mature on September 30, 2022 and all or a portion of the outstanding principal can be repaid by Journey without penalty after three years. The Notes are secured by a $22,000 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 8). 2,310 Warrants were issued under this placement and were exercisable into common shares of Journey at an exercise price of $2.51 per warrant. The fair value of the debt component was determined at the date of issuance to be $20,298 using an effective interest rate of 9.3%. The difference between the principal amount and the discounted value was allocated to the value of the Warrants. For the year ended December 31, 2018 Journey recognized $1,535 of interest and $277 of accretion related to the Promissory Notes (B).

On September 30, 2019 Journey restructured its outstanding $52,000 of promissory notes. All promissory notes were replaced with a single, second-lien term debt instrument of $44,000 comprised of two tranches of $22,000 as follows:

a) The first tranche of term debt corresponds to the promissory notes that were issued in 2016. The maturity was extended to October 31, 2023 (previously October 31, 2020); and the interest rate increased from 7.65% to 11.5% per annum. This fair value of this tranche at September 30, 2019 was calculated using an effective interest rate of 10.5%. In addition, 1,137 share purchase warrants were issued under this restructuring (Note 13). The warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of $3.15 per warrant. As a result of this change in fair value, there was a loss of $636, which was realized and expensed through the comprehensive statement of loss.

b) The second tranche of term debt corresponds to the promissory notes that were issued in 2018. There were no changes to the terms of this tranche. The principal amount of $22,000; the maturity of September 30, 2022; and the interest rate of 7.65% remain unchanged.

As part of the restructuring, $8,000 of principal was repaid. The second-lien term debt is 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 8). There is one financial covenant that requires the Company to maintain its Liability Management Rating greater than 2.0. In addition, there are certain standard non-financial covenants in the term debt agreement. Journey is in compliance with all covenants as at December 31, 2019.

The fair value of the first tranche, was determined at the date of modification to be $22,905 using an effective interest rate of 10.5%.

	Tranche 1	Tranche 2	**Total**
Balance, January 1, 2018	28,398	-	28,398
Principal amount, Feb 1, 2018	-	22,000	22,000
Less: value allocated to warrants	-	(1,702)	(1,702)
Accretion	492	277	769
Unamortized deferred issuance expenses	-	(54)	(54)
Amortization of deferred issuance expenses	25	-	25
Balance, December 31, 2018	28,915	20,521	49,436
Repayment	(8,000)	-	**(8,000)**
Change in fair value on restructuring	1,539	-	**1,539**
Debt modification expense	(52)	-	**(52)**
Accretion	355	331	**686**
Amortization of deferred issuance expenses	30	15	**45**
Balance, December 31, 2019	**22,787**	**20,867**	**43,654**

10. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the net ownership interests it has in petroleum and natural gas assets, which include well sites, pipelines, processing facilities and oil batteries. The Company estimates the total undiscounted, unescalated amount of cash flows required to settle its decommissioning liabilities at December 31, 2019 to be $191,923 (December 31, 2018 - $190,065,) the majority of which, will be incurred at various times between 2020 and 2070. The present value of the future liability at December 31, 2019 has been discounted using a real rate of 0.4%, which is comprised of a risk-free discount rate of 1.8% less an assumed inflation rate of 1.4%. For 2018 Journey inflated the estimated costs by 2.0% and then discounted them using a risk-free rate of 2.1%. Settlement of the liabilities will be funded from general corporate funds at the time of retirement or removal. As at December 31, 2019, no funds have been set aside to settle these obligations.

Changes to decommissioning liabilities during the years ended December 31, were as follows:

	2019	2018
Balance, at beginning of year	**181,849**	175,495
Liabilities acquired during year	**8**	292
Revaluation of liabilities acquired during the year[1]	**22**	506
Liabilities disposed of during the year	**-**	(2,061)
Incurred on development activities during the year	**886**	926
Liabilities settled during the year	**(2,236)**	(1,288)
Revisions to estimates[2]	**(61,985)**	2,167
Changes in discount rate	**44,513**	1,893
Accretion	**3,421**	3,919
Balance, at end of year	**166,478**	181,849

(1) These amounts relate to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the dates of acquisition, the acquired decommissioning liabilities were fair valued at the credit adjusted risk free rate.

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

11. LEASE OBLIGATIONS

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

	Current	Long-term	Total
Lease obligations, January 1, 2019	1,219	5,700	6,919
Additions	45	75	120
Lease payments	-	(1,613)	(1,613)
Accretion	25	330	355
Lease obligations December 31, 2019	**1,289**	**4,492**	**5,781**

The Company used its incremental cost of borrowing rate of 5.5% to discount the future lease liabilities. The undiscounted lease liability at December 31, 2019 is $6,486.

12. SHARE CAPITAL

As at December 31, 2019 Journey has an unlimited number of voting common shares that are authorized for issuance. Each common share is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any dividends from the Company and in the assets in the event of termination or winding up of the Company. The common shares have no par value and are all of the same class with equal rights and privileges. In addition, the Company has an unlimited number of preferred shares with no par value authorized for issuance. Currently, there are no preferred shares outstanding.

COMMON SHARES	**Number**	**Amount**
Balance, January 1, 2018	51,240	386,017
Share repurchase (ii)	(12,700)	(95,674)
Issued on exercise of stock options	7	17
Issued on exercise of PSU's and RSU's	671	1,604
Balance, December 31, 2018	39,218	291,964
Flow-through share issuance, net of issue costs (i)	2,791	7,236
Premium on flow-through shares (i)	-	(865)
Issued on exercise of stock options	24	64
Issued on exercise of PSU's and RSU's	1,054	2,222
Balance, December 31, 2019	**43,087**	**300,621**

i. *Flow through shares*

On September 30, 2019 2,791 flow-through shares were issued in a non-brokered private placement for gross proceeds of $7,256, representing $2.60 per share. Journey incurred $20 of share issue costs on the placement. A deferred liability of $865 was recognized for the premium on the flow-through shares. The liability was de-recognized through income tax expense when the Company incurred the qualifying expenditures. All qualifying expenditures were incurred before December 31, 2019.

ii. *Share repurchase*

On February 2, 2018, Journey acquired 12,700 common shares from a significant shareholder for $21,336, representing an average price of $1.68. $95,674 was charged to share capital and the difference of $74,338 was included in contributed surplus.

13. WARRANTS

	Number	Amount
Balance, January 1, 2018	-	-
Issued (i)	2,310	1,702
Balance, December 31, 2018	2,310	1,702
Surrendered (i)	(2,310)	(1,702)
Issued, net of deferred tax (ii)	1,137	736
Balance, December 31, 2019	**1,137**	**736**

(i) 2,310 share purchase warrants were issued on February 1, 2018 concurrently with the issuance of $22,000 of promissory notes. The warrants were convertible into common shares of Journey on a one for one basis and had an exercise price of $2.51 per warrant. The warrants were surrendered for no consideration as part of the term debt restructuring (Note 9).

(ii) In connection with the term debt restructuring (Note 9) 1,137 warrants were issued. 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.

14. SHARE BASED COMPENSATION

The shareholders of Journey have approved a share based compensation plan which allows for up to 10% of the common shares outstanding, plus a lump sum amount of 750 thousand until the next annual general meeting, to be reserved for issuance under the plan. Below are the long-term incentives currently outstanding under the share based compensation plan.

a) Restricted share units (“RSU”)

RSU’s may be granted to employees as part of their compensation. RSU’s prior to September 30, 2018 vest over three years from the date of issuance. Fifty percent vest on the second anniversary of issuance and the remaining fifty percent on the third anniversary. In October 2018 the vesting terms for issuances of RSUs and PSUs were modified to vest equally over the three year term on the anniversary of the date of issuance. Upon vesting, the RSU’s are settled by Journey either issuing the employee shares from treasury or by way of cash payment. The method of settlement is at the sole discretion of the Company. The fair value of the RSU’s is deemed to be equal to the stock price of the Company on the date of grant. During the year ended December 31, 2019, $2,034 (2018 – $1,982) was charged to share based compensation expense in respect of the RSU’s.

The following table summarizes the number of RSU's outstanding:

Balance at January 1, 2018	2,094
Granted	799
Exercised	(526)
Forfeited	(89)
Balance at December 31, 2018	2,278
Granted	625
Exercised	(1,125)
Forfeited	(25)
Balance at December 31, 2019	**1,753**

As at December 31, 2019 and December 31, 2018 there were no RSU's that were exercisable.

b) Performance share units ("PSU")

The Company grants PSU's to certain employees that cliff vest on the third anniversary from the date of issuance. The PSU's have a performance multiplier relating to the Company's share price performance relative to an established group of peer companies. This type of feature is dependent on market conditions, and therefore is required to be incorporated into the measurement of the grant date fair value. The Company has determined the most probable outcome is performance relatively equal to our peer group and has accordingly used a multiplier of one for the calculation of fair value on the date of issuance. During the period ended December 31, 2019 $1,122 (2018 – $1,034) was charged to share based compensation expense. The settlement method is at the sole discretion of the Company in either cash or shares issued from treasury.

The following table summarizes the number of PSU's outstanding:

Balance at January 1, 2018	729
Granted	359
Exercised	(171)
Forfeited	(23)
Balance at December 31, 2018	894
Granted	378
Exercised	(236)
Balance at December 31, 2019	1,036

As at December 31, 2019 and December 31, 2018 there were no PSU's that were exercisable.

c) Stock option plan

All stock options granted have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant.

The following stock options were outstanding at the end of the respective years:

	Stock options	Weighted Average exercise price $	Number of options exercisable
Balance, January 1, 2018	2,693	4.39	1,693
Expired	(852)	6.31	(852)
Surrendered	(412)	5.26	(412)
Forfeited	(115)	3.70	(74)
Exercised	(7)	1.73	(7)
Balance at December 31, 2018	1,307	2.93	891
Expired	(122)	11.13	(122)
Exercised	(24)	1.97	(24)
Balance at December 31, 2019	**1,161**	**2.05**	**1,134**

On April 30, 2018, holders of 412 stock options with a strike price of $5.26 voluntarily surrendered their options for cancellation. The surrender had no impact on the consolidated statement of comprehensive loss as the associated share based compensation expense had been fully recognized by the time of surrender.
As at December 31, 2019 there were 1,134 (December 31, 2018 – 891) stock options that were exercisable.

Exercise price	Number of options outstanding	Number of options exercisable	Weighted average years to expiry
$1.33	30	30	1.0
$1.75	20	13	2.8
$1.91	467	467	1.3
$2.12	584	584	1.8
$2.85	25	17	2.3
$3.01	35	23	2.3
	1,161	1,134	1.6

The Company accounted for its stock options granted to employees and officers using the fair value method. The fair value of each option granted is estimated on the date of grant using a Black-Scholes option-pricing model. No stock options have been issued since 2017.

During the year ended December 31, 2019 $102 (December 31, 2018 - $261) was recorded as share based compensation expense with respect to stock options.

During the year ended December 31, 2019 $387 (December 31, 2018 - $409) was capitalized with respect to grants of RSU's, PSU's and stock options related to technical personnel engaged in exploration and development activities. A corresponding credit to contributed surplus was made for these amounts.

d) Performance warrants

The following performance warrants were outstanding at the end of the respective periods:

Series A	**Number**	**Weighted average exercise price $**	**Weighted average fair value per warrant $**
Balance at January 1, 2018	150	6.00	3.78
Forfeited	(3)	6.00	3.78
Expired	(147)	6.00	3.78
Balance December 31, 2018 and December 31, 2019	-	-	-

Series B	**Number**	**Weighted average exercise price $**	**Weighted average fair value per warrant $**
Balance at January 1, 2018	296	7.00	3.46
Forfeited	(7)	7.00	3.46
Expired	(289)	7.00	3.46
Balance December 31, 2018 and December 31, 2019	-	-	-

Series C	**Number**	**Weighted average exercise price $**	**Weighted average fair value per warrant $**
Balance at January 1, 2018	192	11.48	5.14
Expired	(192)	11.48	5.14
Balance December 31, 2018 and December 31, 2019	-	-	-

e) Share purchase warrants

In 2012 share purchase warrants were issued on the basis of one warrant for each common share issued and have a strike price of $6.98 per warrant. Each warrant was exercisable into one common share of Journey. All warrants expired unexercised on July 1, 2018. The share purchase warrants outstanding at the respective year-ends were as follows:

	Issued	**Weighted average exercise price $**	**Weighted average fair value per warrant $**
Balance at January 1, 2018	975	6.98	2.16
Expired	975	6.98	2.16
Balance December 31, 2018 and December 31, 2019	-	-	-

(f) Employee Share Ownership Plan ("ESOP")

The ESOP plan provides for contributions by Journey equal to two times the participating employee's contribution. The maximum contribution any employee is 5% of their base salary. The employee and the employer contributions are used to purchase Journey shares in the public market. The Company contributions are expensed under general and administrative expense.

15. FINANCE EXPENSE

Finance expense is comprised of the following:

	2019	2018
Interest and bank charges	**9,276**	8,513
Accretion of lease obligations	**355**	-
Accretion of decommissioning liabilities	**3,421**	3,919
Accretion of term debt	**686**	769
Finance expense	**13,738**	13,201

16. INCOME TAXES

The provision for income tax reflects an effective rate, which differs from the expected, statutory, federal and provincial income tax rates. Differences between the statutory rate and the effective rate for the years ended December 31, 2019 and 2018 are reconciled as follows:

	2019	2018
Net loss before taxes	**(19,083)**	(18,443)
Expected income tax recovery at the statutory rate of 26.5% (2018 – 27.0%)	**(5,057)**	(4,980)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	**187**	216
Loss on debt restructuring	**168**	-
Share based compensation expense	**(104)**	804
Changes in expected tax basis	**1,226**	-
Changes in enacted statutory rates	**1,945**	-
Flow-through share expense	**1,923**	-
De-recognition of previously recognized deferred tax asset	**12,849**	22,964
Deferred income tax expense	**13,137**	19,004
Flow-through share premium	**(865)**	-
Total income tax expense	**12,272**	19,004

The components of the deferred tax asset (liability) are as follows:

	2019	2018
PP&E and E&E assets	**(38,871)**	(54,586)
Decommissioning obligations	**37,458**	49,074
Fair value of financial instruments	**112**	(252)
Lease obligations	**1,340**	-
Term debt	**(1,808)**	-
Financing costs	**92**	119
Non-capital losses	**1,677**	18,845
Net deferred tax asset	**-**	13,199

During 2019, the Company de-recognized deferred tax assets of $12,849 (2018 - $22,964) in respect of deductible temporary differences due to the uncertainty that sufficient future taxable profit will be generated against which the Company can utilize the benefits of certain tax. The estimation of future taxable profit was based primarily on the projected cash flows from the reserve report prepared by Journey's independent reserve evaluators and effective December 31, 2019.

The movements in deferred income tax assets (liabilities) were as follows:

	PP&E and E&E	Decom-missioning	Tax Losses	Risk Manage ment	Financing costs	Term Debt	Leases	Total
As at January 1, 2018	(24,142)	47,359	7,574	662	750	-	-	32,203
Recognized in income	(30,444)	1,716	11,271	(914)	(633)	-	-	(19,004)
As at December 31, 2018	(54,586)	49,075	18,845	(252)	117	-	-	13,199
Recognized in income	17,538	(11,642)	(17,175)	443	(28)	(1,745)	(528)	(13,137)
Recognized in equity	-	-	-	-	1	(63)	-	(62)
As at December 31, 2019	**(37,048)**	**37,433**	**1,670**	**191**	**90**	**(1,808)**	**(528)**	**-**

The Company has $349,120 in non-capital losses available for carry forward, which expire at various times between 2027 and 2039.

17. PER SHARE AMOUNTS

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

	2019	2018
Net loss and comprehensive loss	**(31,355)**	(37,447)
Weighted average shares outstanding - basic	**40,172**	39,819
Weighted average shares outstanding - diluted	**40,172**	39,819
Net loss per share – basic	**(0.78)**	(0.94)
Net loss per share – diluted	**(0.78)**	(0.94)

The basic net loss per share is calculated by dividing the net loss attributable to the shareholders of the Company by the weighted average number of common shares outstanding for the period. Excluded from the diluted number of shares for the period ended December 31, 2019 is 3,950 (December 31, 2018 – 3,696) stock options, RSU's and PSU's as to include them would be anti-dilutive.

18. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

	December 31, 2019		December 31, 2018	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Amortized cost				
Accounts receivable	**15,193**	**15,193**	9,220	9,220
Accounts payable and accrued liabilities	**(27,715)**	**(27,715)**	(16,878)	(16,878)
Second lien term debt	**(43,654)**	**(44,000)**	(49,436)	(52,000)
Bank debt and bank indebtedness - principal	**(68,833)**	**(68,833)**	(76,509)	(76,509)
Fair value through profit and loss				
Derivative contracts – current asset	**113**	**113**	1,229	1,229
Derivative contracts – current liability	**(569)**	**(569)**	-	-

Journey's financial instruments recognized in the Consolidated Statement of Financial Position consist of cash, accounts receivable, accounts payable, bank debt, second lien term debt and derivative contracts. The carrying value of the accounts receivable, accounts payable and accrued liabilities approximates their fair value at December 31, 2019 due to their short-term nature. The fair value of bank debt is based upon level 2 inputs. The fair value of the bank debt approximates the carrying value as the debt carries a floating interest rate that approximates a market rate of interest. The fair value of the second lien term debt is based on level 2 inputs, being Journey's estimated credit adjusted rate of interest.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable.

The fair value of Journey's commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data. The fair value of financial derivatives are recurring measurements and are determined using third-party models and valuation methodologies that utilize observable market data, including forward commodity prices and interest rates to estimate the current fair value of financial derivatives.

(b) Derivative contracts

Journey entered into the following financial derivative transactions to mitigate its exposure to fluctuations in commodity prices.

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	113
Swap	500	WTI NYMEX	CDN$74.25	January 1, 2020 to September 30, 2020	(342)
Collar	500	WTI NYMEX	CDN$72.00-80.35	January 1, 2020 to March 31, 2020	(31)
Collar	500	WTI NYMEX	CDN$66.00-81.00	January 1, 2020 to December 31, 2020	(67)
Swap	500	NGX index	USD$6.50	January 1, 2020 to December 31, 2020	(75)
Total oil derivative contracts fair value					**(402)**

Gas contracts	Volume GJ/d	Pricing point	Strike price per GJ	Term	Asset (Liability)
Call	5,000	AECO	CDN$1.40-1.75	April 1, 2020 to October 31, 2020	(54)
Total gas derivative contracts fair value					**(54)**
Total derivative contracts fair value					**(456)**

The net change in these contracts resulted in a realized net loss of $253 and an unrealized net loss of $1,685 for the period ended December 31, 2019.

The (loss) gain on derivative contracts for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Realized	**(253)**	(11,693)
Unrealized	**(1,685)**	3,386
	(1,938)	(8,307)

A 10% increase or decrease in the respective commodity prices would have impacted the comprehensive loss by the following amounts at December 31, 2019:

Commodity	**10% increase**	**10% decrease**
Oil	(1,225)	1,378
Gas	(4)	4
Total	(1,229)	1,382

(c) Risks

(i) Credit risk

A substantial portion of Journey's accounts receivable is with oil and gas marketing entities. Receivables from these marketers are normally collected on the 25th day 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 is its entire receivable accounts and derivative contracts.

	2019	2018
Accounts receivable	**15,193**	9,220
Derivative contracts	**113**	1,229
	15,306	10,449

Management has determined the provision for uncollectable accounts as at December 31, 2019 to be $498 (2018 - $609). Accounts receivable balances with third parties in excess of 90 days are $1,554 (2018 – $1,654).

The continuity of the Company's reserve for doubtful accounts for the years ended December 31 is as follows:

	2019	2018
Allowance for doubtful accounts, January 1	**609**	465
Amounts recovered (written off)	**(203)**	(55)
Changes to provision	**92**	199
Allowance for doubtful accounts, December 31	**498**	609

(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 balances at year-end would result in a $506 change to comprehensive loss (2018 - $559).

(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. Prior to maturity of the facility on October 31, 2020, the Company will need to complete its discussions with the syndicate to renew or extend the facility. The syndicate of lenders could change the capacity of the Company's credit facility at the upcoming review which is scheduled to be completed by April, 30, 2020 and the impact to the organization could be material. The current available capacity on the Company's credit facility is currently assessed by Management to be sufficient to ensure all obligations will be met as they become due. The following table details Journey's financial liabilities as at December 31, 2019:

	< 1year	**1-2 years**	**> 2 years**	**Total**
Accounts payable and accrued liabilities	27,715	-	-	27,715
Bank debt and bank indebtedness	68,833	-	-	68,833
Term debt	-	22,000	22,000	44,000
Interest on bank debt and bank indebtedness	2,598	-	-	2,598
Interest on term debt	4,213	4,213	5,896	14,322
	103,359	**26,213**	**27,896**	**157,468**

The following table details Journey's financial liabilities as at December 31, 2018:

	< 1year	**1-2 years**	**> 2 years**	**Total**
Accounts payable and accrued liabilities	16,878	-	-	16,878
Bank debt and bank indebtedness	1,009	75,500	-	76,509
Promissory Notes	-	30,000	22,000	52,000
Interest on bank debt and bank indebtedness	34	5,104	-	5,138
Interest on promissory note	3,978	3,601	2,942	10,521
	21,899	**114,205**	**24,942**	**161,046**

19. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

Sources (uses) of funds	**2019**	2018
Accounts receivable	**(5,973)**	6,892
Prepaid expenses and deposits	**649**	(540)
Deferred financing charges	**(34)**	8
Deferred lease obligation	**-**	(62)
Accounts payable and accrued liabilities	**10,837**	(11,412)
	5,479	(5,114)

Relating to:		
Operating activities	**1,593**	(1,396)
Financing activities	**(34)**	8
Investing activities	**3,920**	(3,726)
	5,479	(5,114)

b) *Supplementary cash flow information*

	2019	2018
Interest paid	**5,466**	4,577

c) *Sales by product type*

	2019	2018
Crude oil	**87,290**	84,754
Natural gas	**16,437**	20,521
Natural gas liquids	**5,463**	9,766
Petroleum and natural gas sales	**109,190**	115,041

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized based on the specified parameters in the relevant contracts with marketers and third parties. Revenue is recognized when the control of the product is transferred to the counterparty pursuant to the contract. All contracts are examined to determine if Journey acts as an agent on behalf of a third party. If this is the case revenue is recognized on a net basis realized by the Company.

d) *Employee compensation costs*

Journey's Statement of Comprehensive Loss is prepared primarily by nature of expense, with the exception of employee compensation costs, which are included in property, plant, and equipment, share-based compensation and general and administrative expenses.

The following table details the amount of total employee compensation costs included in property, plant and equipment, share-based compensation and general and administrative expenses:

	2019	2018
Capitalized to property, plant and equipment	**906**	1,680
General and administrative expense	**6,680**	7,144
Share based compensation expense	**2,871**	2,869
Total employee compensation costs	**10,457**	11,693

20. RELATED PARTY TRANSACTIONS

Journey had the following related party transactions during the year:

(a) The Company considers its directors and executives to be key management personnel. Compensation for these individuals is comprised of the following:

	2019	2018
Salaries and wages	**1,167**	1,249
Short-term employee benefits	**538**	575
Share based payments (i)	**1,154**	1,025
	2,859	2,849

(i) These amounts represent the amortization of share-based compensation associated with the Company's share based compensation plans.
(ii) As at December 31, 2019 there were ten (2018 – nine) individuals that were considered key management personnel.

(iii) At December 31, 2019 there is a $3,417 commitment (2018 - $2,185) relating to a change of control or termination of employment for key management personnel.

The related party transactions above were recorded at the above disclosed exchange amounts. Management believes the amount agreed upon between the parties is reflective of comparable fair market value transactions.

21. COMMITMENTS AND CONTINGENCIES

In addition to the commitments listed below, 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.

(a) Transportation and office lease costs

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

	Total	2020	2021-2022
Natural gas transportation	**760**	585	175

(b) Indemnifications

Under the terms of certain agreements and the Company's by-laws Journey indemnifies individuals who have acted at the Company's request to be a director and/or officer, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their service. The Company currently has no outstanding claims having a potentially material adverse effect on the Company as a whole.

22. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt, 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 or failures, 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, changes in commodity prices, and drilling successes. Given the volatile commodity price environment and weak capital markets the budget is intended to be flexible and is re-evaluated at each regularly scheduled board meeting to ensure the Company's finances are being managed to maximize shareholder returns.

One of Journey's measures used to manage its capital structure is the non-GAAP measure of net debt to funds flow. Net debt is calculated as the sum of outstanding bank borrowings, principal amount of second-lien term debt, accounts payable and accrued liabilities, minus the aggregate of cash, accounts receivable, and prepaid expenses and deposits. While the most recent quarter's funds flow is often used as a benchmark for measuring the net debt to funds flow ratio, Journey factors in anomalies in current funds flow such as unusually low commodity prices and/or non-recurring operating costs. The higher

leverage has resulted in the Company reducing capital expenditures in 2020 to aid in moving the net debt to funds flow ratio closer to the desired level.

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2019 Journey entered into the following financial derivative transactions:

Contract Type	Volume bbl/d	Reference Price	Contract price $/bbl	Term
Swap	500	WTI/CAD	81.50	February to June 2020
Diff swap	250	WCS/USD	(15.50)	April to September 2020
Diff swap	250	WCS/USD	(15.45)	April to September 2020