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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, 2020 and December 31, 2019
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements 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, 2020 and December 31, 2019, 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.

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 the Entity needs to maintain the support of its lender and there is uncertainty as to the Entity's ability to repay the term debt as it matures.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "*Material Uncertainty related to Going Concern*" section of the auditors' report, we have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the recoverable amount of the cash generating units

Description of the matter

We draw attention to note 3, note 4 and note 6 to the financial statements. The Entity identified an indicator of impairment at March 31, 2020 for all cash generating units (the "CGUs") and performed an impairment test to estimate the recoverable amount of each CGU. The Entity has recorded an aggregate impairment charge of \$60,923 thousand related to certain CGUs.

The estimated recoverable amount of each CGU involves significant estimates, including:

- The estimate of cash flows from proved and probable oil and gas reserves
- The discount rates.

The estimate of cash flows from proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs



- Forecasted future development costs.

The Entity engaged independent third party reserve evaluators to estimate the cash flows from proved and probable oil and gas reserves as at December 31, 2019, which were updated by the internal reserve evaluators to March 31, 2020.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of the CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of cash flows from proved and probable oil and gas reserves and the discount rates.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of cash flows from proved and probable oil and gas reserves as at December 31, 2019:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators
- We compared the 2019 actual production volumes, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of cash flows from proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2019 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

With respect to the estimate of cash flows from proved and probable oil and gas reserves as at March 31, 2020:

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluators
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to the corresponding amounts in the cash flows from proved and probable oil and gas



reserves estimated by the independent third party reserve evaluators as at December 31, 2019 and by comparing to 2020 actual results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Entity's discount rates by comparing the discount rates to market and other external data
- Assessing the reasonableness of the Entity's estimate of the recoverable amount of each CGU by comparing the Entity's estimate to market metrics and other external data.

Assessment of indicators of impairment or reversal of impairment for the cash generating units

Description of the matter

We draw attention to note 3, note 4 and note 6 to the financial statements. The Entity assesses at each reporting date whether there is an indication that property, plant and equipment within the cash generating units (the "CGUs) may be impaired or that historical impairment may be reversed. The Entity determined that there were no internal or external indicators of impairment or historic impairment reversal at December 31, 2020 for all CGUs and no impairment tests were required. Significant management judgment is required to analyze internal and external indicators of impairment or historical impairment reversal with the estimate of cash flows from proved and probable oil and gas reserves being significant to the assessment.

The estimate of cash flows from proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Entity engaged independent third party reserve evaluators to estimate the cash flows from proved and probable oil and gas reserves as at December 31, 2020.

Why the matter is a key audit matter

We identified the assessment of indicators of impairment or reversal of impairment for the CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the internal and external indicators of



impairment or historic impairment reversal including the estimate of cash flows from proved and probable oil and gas reserves.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We evaluated the Entity's assessment of internal and external indicators of impairment or historic impairment reversal by considering whether quantitative and qualitative information in the analysis was consistent with external market and industry data, the Entity's press releases and certain minutes of the meetings of the Board of Directors and the estimate of cash flows from proved and probable oil and gas reserves.

With respect to the estimate of cash flows from proved and probable oil and gas reserves as at December 31, 2020:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators
- We compared the 2020 actual production volumes, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of proved cash flows from oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2020 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 9, 2021

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, 2021

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

	Notes	December 31, 2020	December 31, 2019
ASSETS			
CURRENT			
Cash		6,590	-
Accounts receivable		9,285	15,193
Derivative contracts		-	113
Prepaid expenses and deposits		1,575	1,209
Total current assets		17,450	16,515
Property, plant and equipment	6	262,594	319,810
Exploration and evaluation assets	7	7,629	8,664
Total assets		287,673	344,989
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		16,198	27,715
Derivative contracts		-	569
Bank debt	8	-	68,833
Term debt	9	22,568	-
Lease obligation	11	231	1,289
Decommissioning liabilities	10	2,567	2,600
Total current liabilities		41,564	101,006
Term debt	9	59,336	43,654
Lease obligation	11	1,040	4,492
Other liability		1,943	-
Decommissioning liabilities	10	203,612	163,878
Total liabilities		307,495	313,030
EQUITY			
Share capital	12	300,758	300,621
Contributed surplus		109,330	107,697
Warrants	13	3,809	736
Deficit		(433,719)	(377,095)
Total equity		(19,822)	31,959
Total liabilities and equity		287,673	344,989
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" Ryan A. Shay, Director

"Signed" Alex G. Verge, Director

JOURNEY ENERGY INC.**Consolidated Statement of Comprehensive Loss
For the years ended December 31, 2020 and 2019***(in thousands of Canadian dollars, except per share data)*

	Notes	2020	2019
REVENUE			
Petroleum and natural gas sales	19(c)	67,912	109,190
Processing and other revenue		2,995	3,175
Royalties		(6,911)	(13,775)
Gain (loss) on derivative contracts	18(b)	8,321	(1,938)
Total revenue		72,317	96,652
EXPENSES			
Operating		41,260	51,861
Depletion and depreciation	6	38,959	35,373
Finance expenses	15	15,327	13,738
General and administrative		5,734	6,928
Share based compensation	14	1,819	2,871
Transportation		1,479	1,854
Oil and gas asset impairment	6	60,923	-
Exploration and evaluation	7	799	1,209
Exploration and evaluation asset impairment	7	440	1,238
Gain on lease modification	11	(483)	-
Gain on debt modification/restructuring	8	(35,664)	636
Gain on disposal of assets	6	(705)	-
Transaction costs		23	27
Total expenses		129,911	115,735
NET LOSS BEFORE INCOME TAXES		(57,594)	(19,083)
INCOME TAXES			
Premium on flow-through shares	16	-	(865)
Deferred income tax expense (recovery)	16	(970)	13,137
Total income tax (recovery) expense		(970)	12,272
NET LOSS AND COMPREHENSIVE LOSS		(56,624)	(31,355)
NET LOSS PER SHARE			
	17		
Basic		(1.31)	(0.78)
Diluted		(1.31)	(0.78)

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, 2020		300,621	107,697	736	(377,095)	31,959
Net loss and comprehensive loss		-	-	-	(56,624)	(56,624)
Warrants, net of deferred taxes	13	-	-	3,073	-	3,073
Share based compensation	14	-	1,819	-	-	1,819
Settlement of RSU's and PSU's	14	137	(186)	-	-	(49)
Balance, December 31, 2020		300,758	109,330	3,809	(433,719)	(19,822)

	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		-	-	(1,702)	-	(1,702)
Warrants issued		-	-	736	-	736
Share issuance, net of costs		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

JOURNEY ENERGY INC.**Consolidated Statement of Cash Flows****For the years ended December 31, 2020 and 2019***(in thousands of Canadian dollars)*

	Notes	2020	2019
CASH FLOWS PROVIDED BY (USED IN) THE			
FOLLOWING ACTIVITIES:			
OPERATING			
Net loss and comprehensive loss		(56,624)	(31,355)
Adjustments for:			
Unrealized loss (gain) on derivative contracts	18(b)	(456)	1,685
Share based compensation	14	1,819	2,871
Depletion and depreciation	6	38,959	35,373
Gain on disposal of assets	6	(705)	-
Gain on lease modification	11	(483)	-
Gain on debt restructuring	8	(35,664)	636
Exploration and evaluation asset impairment	7	440	1,238
Oil and gas asset impairment	6	60,923	-
Expense changes in fair value other liability	8	607	-
Accretion of decommissioning liabilities	10	2,209	3,421
Accretion of lease obligations	11	274	355
Accretion of term debt	9	412	686
Deferred tax expense (recovery)	16	(970)	12,272
Exploration and evaluation	7	799	1,209
Decommissioning costs	10	(480)	(2,236)
Change in non-cash working capital	19(a)	545	1,593
Total cash flow provided by operating activities		11,605	27,748
FINANCING			
Decrease in bank debt	8	(68,900)	(7,609)
Proceeds from the issuance of term debt	9	43,350	-
Forgiveness of bank debt	8	37,000	-
Repayment of promissory notes		-	(8,000)
Exercise of stock options		-	47
Settlement of RSU's		(49)	(1,164)
Flow-through share issuance, net of issue costs	12(i)	-	7,236
Lease payments	11	(1,428)	(1,613)
Change in non-cash working capital	19(a)	(3,715)	(34)
Total cash flow provided by financing activities		6,258	(11,137)
INVESTING			
Additions to petroleum and natural gas properties	6	(6,684)	(19,829)
Additions to exploration and evaluation assets	7	(386)	(267)
Additions to administrative assets	6	-	(12)
Acquisition of producing petroleum and natural gas assets and exploration and evaluation assets	6,7	(33)	(908)
Disposition of producing petroleum and natural gas assets and exploration and evaluation assets	6	37	485
Change in non-cash working capital	19(a)	(4,207)	3,920
Total cash flow used in investing activities		(11,273)	(16,611)
NET DECREASE IN CASH		6,590	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		-	-
CASH AND CASH EQUIVALENTS, END OF YEAR		6,590	-

Supplementary cash flow information

19(b)

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

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(thousands, except per share data)

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 (the “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 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, 2021.

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. The methods used to measure fair values of derivative instruments are discussed in note 18.

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

In April of 2020 the Company entered into a forbearance agreement with its syndicate of banks while it worked out a restructuring of its bank debt. On October 30, 2020 Journey secured a \$38 million term-debt facility from its major shareholder, Alberta Investment Management Corporation (“AIMCo”), to fund the repayment of its then outstanding \$75 million credit facility (Notes 9 and 10). AIMCo’s \$38 million secured term-debt facility was provided in three tranches. The first tranche was for a principal amount of \$15 million, and had an initial maturity date of December 31, 2020. This maturity date coincided with the proposed closing date for the disposition of the Company’s oil and gas, and power generation assets in Countess, Alberta. Over the first two months of 2021, the purchaser requested and Journey agreed to several amendments to the closing date for the sale of these assets. In addition, AIMCo agreed to extend

the maturity of this tranche of term debt to coincide with the revised closing date. On March 1, 2021 the proposed asset sale was terminated due to the inability of the purchaser to close, and Journey retained the \$902 deposit previously provided by them. At the same time AIMCo agreed to extend the maturity date of the \$15 million tranche of term debt to June 30, 2020. On March 2, the Company repaid \$3.75 million of the \$15 million principal amount of term debt. The second tranche of term debt was for a principal amount of \$10 million, and matures on October 31, 2021. The third tranche was for a principal amount of \$13 million, and matures October 31, 2024. The three new debt tranches gave Journey the means to emerge from forbearance with its banks and ultimately allowed the Company to reduce its overall indebtedness through the purchase of the outstanding bank debt for less than its face value.

Since October 30, 2020 the operating environment for the oil and gas industry has improved with increases in oil, natural gas, natural gas liquids and electricity prices. This, coupled with the Company's substantial efforts to improve the overall debt position of the Company, have improved Journey's financial outlook. However, there continues to be material uncertainties caused by the Covid-19 pandemic (see comments below) and the impact it has had, and may continue to have, on commodity prices, and the resulting debt and liquidity of the Company. The recent improvement in Journey's financial position was the result of the support of Journey's largest shareholder, AIMCo, who is also now the sole debt provider to the Company. The need to maintain the support of AIMCo along with the uncertainty surrounding Journey's ability to repay the term-debt as it matures casts significant doubt as to the Company's ability to continue as a going concern.

As part of the new term-debt agreements, there is a Liability Management Report ("LMR") covenant threshold of 1.75. At December 31, 2020 the Company complied with the LMR threshold. The Company has applied for funding under a recent program announced by the Federal Government to reclaim and abandon certain properties. This program, if the Company can access funds, could improve the Liability Management Rating.

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

COVID-19 pandemic

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices declined significantly due to the collapse in demand that resulted from the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Company including:

- material declines in revenue and cash flows resulting from the collapse in commodity prices and reduced production levels;
- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;
- inability to comply with debt covenants and restrictions in lending agreements (discussed further above);
- increased risk of non-payment of accounts receivable and customer defaults; and
- the current economic and commodity pricing environment further jeopardizes the Company's ability to continue as a going concern.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of these Financial Statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

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 Company 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 Company has the power to govern financial and operating policies. All intercompany transactions and balances are eliminated on consolidation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

ij) 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 centers 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, 2020 the Company has the following CGUs: power generation, 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 (loss) 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 Consolidated 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.

Significant natural gas processing plants included in petroleum & natural gas properties and furniture & equipment are depreciated using the straight-line method over the expected useful life. The estimated useful lives for depreciable assets are as follows:

Power generation assets: 50 years
Furniture & equipment: 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date by management.

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 (loss).

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

The carrying amounts of the Corporation's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment or impairment reversal. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment and impairment reversal testing of property, plant and equipment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that

the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are allocated to CGUs or groups of CGUs for the purposes of assessing such assets for impairment. The recoverable amount of an asset or a CGU is the greater of its “value-in-use” and its “fair value less costs of disposition”. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less costs of disposition is assessed utilizing market valuation based on an arm’s length transaction between active participants. In the absence of any such transactions, fair value less costs of disposition is estimated by discounting the expected after-tax cash flows of the CGUs at an after-tax discount rate that reflects the risk of the properties in the CGUs. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a prospective buyer of the CGU would be entitled. The carrying value of the CGUs is reduced by the deferred tax liability associated with its property, plant and equipment.

Impairment losses and reversals of previous impairments on property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Loss as impairment expense (recovery) and are separately disclosed. An impairment of exploration and evaluation assets is recognized as exploration and evaluation expense in the Consolidated Statement of Comprehensive Loss.

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 using a risk-free interest rate. 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. 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 (the "Award Plan"). Under this plan, 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. 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. Awards granted under the Award Plan, may be settled in cash or in shares. As the Corporation generally intends to settle the awards in shares, the plan is considered and accounted for as "equity-settled". Share based compensation expenses related to RSU's and PSU's are 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. When the RSU's/PSU's vest or Stock Options are exercised, the appropriate number of common shares are then issued to the service providers and the contributed surplus is transferred to share capital. 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, term debt, accretion of the discount rate on provisions and lease obligations, expense or recovery on other liability 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

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.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Statement of Comprehensive Loss. Short-term leases are leases with a lease term of 12 months or less. The Corporation applies a single discount rate to portfolios of leases with similar characteristics.

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 net loss per share is calculated by dividing the net loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted net loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as Performance Share Units and Stock Options using the treasury stock method. 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
Prepaid expenses and deposits	Amortized cost
Derivative assets and liabilities	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Bank debt	Amortized cost
Term debt	Amortized cost
Other liability	Fair value through profit or loss

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 oil and gas 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 oil and gas 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 gas reserves include the following:

- i) Forecasted oil and gas prices, production costs, royalty costs, future development costs and/or future production and recovery rates can materially affect the estimated cash flows associated with proven and probable oil and gas reserves. Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available.
- ii) Estimated forward commodity prices 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 third party reserve evaluators. 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 forecasted oil and gas 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 forecasted oil and gas commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development costs, operating costs and royalty costs. Key assumptions in the determination of cash flows from reserves include reserves estimated by the Company's independent third party 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. Significant management judgement is required to analyse internal and external indicators of impairment or historical impairment reversals. 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 ACCOUNTING POLICES

There were no new accounting standards, amendments to accounting standards and interpretations that were adopted in 2020.

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, “Financial Instruments”, IAS 39, “Financial Instruments: Recognition and Measurement”, IFRS 7, “Financial Instruments: Disclosures”, IFRS 4, “Insurance Contracts” and IFRS 16) (“IBOR Phase 2 Amendments”), which provides clarity on the changes after the reform of an interest rate benchmark. The amendments are effective for annual periods beginning on or after January 1, 2021, with early application permitted. The IBOR Phase 2 Amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform. The practical expedient for modifications is accounted for by updating the effective interest rate without modification of the financial instrument and is subject to satisfying all qualifying criteria. The Company expects the IBOR Phase 2 Amendments will not have a significant impact on the financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Right of use assets	Power	Other	Total
Balance, January 1, 2019	1,263,314	-		4,328	1,267,642
Additions	18,829	6,714	1,000	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	1,268,963	6,714	1,000	4,340	1,281,017
Additions	882	191	5,802	-	6,875
Changes in decommissioning obligations	38,678	-	-	-	38,678
Lease amendment	-	(3,053)	-	-	(3,053)
Dispositions of producing petroleum and natural gas assets	(23)	(12)	-	-	(35)
Transfer from exploration and evaluation assets	201	-	-	-	201
Balance, December 31, 2020	1,308,701	3,840	6,802	4,340	1,323,683

Accumulated Depletion, Depreciation and Impairment losses	Petroleum and natural gas properties	Right of use assets	Power	Other	Total
Balance, January 1, 2019	(921,791)	-	-	(4,043)	(925,834)
Provision for the year	(33,945)	(1,342)	-	(86)	(35,373)
Balance, December 31, 2019	(955,736)	(1,342)	-	(4,129)	(961,207)
Provision for the year	(37,590)	(1,224)	(87)	(58)	(38,959)
Impairment	(60,923)	-	-	-	(60,923)
Balance, December 31, 2020	(1,054,249)	(2,566)	(87)	(4,187)	(1,061,089)

Carrying Amounts	Petroleum and natural gas properties	Right of use assets	Power	Other	Total
January 1, 2019	341,523	-	-	285	341,808
December 31, 2019	314,227	5,372	-	211	319,810
December 31, 2020	254,452	1,274	6,715	153	262,594

Future development costs on reserves of \$150,194 (December 31, 2019 - \$255,709) were included in the depletion calculation. During the year ended December 31, 2020, the Company capitalized \$nil (2019 - \$519) in salary, wages and benefits, and \$nil (2019 - \$387) of share based compensation expense that was directly related to developmental drilling activities.

In 2020 the Company disposed of non-core petroleum and natural gas properties for proceeds of \$23 (2019 - \$485).

Impairment assessment - 2020

At December 31, 2020, the Company assessed whether there were internal or external indicators that its CGUs may be impaired or that historical impairment may be reversed. The assessment factored in reserves, change in commodity prices year over year and changes in forecasted commodity prices, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined that measurement of an impairment loss or impairment reversal was not required at December 31, 2020.

At March 31, 2020, the Company assessed whether there were indicators of impairment. The Company identified an indicator of impairment for all CGUs and performed an impairment test to estimate the recoverable amount of each CGU. It was ultimately determined that the carrying amount of the Crystal and Countess CGU's had not exceeded their recoverable amount and therefore there was no impairment. Cherhill, Herronton, Gilby, Pembina, Pine Creek, Skiff and Matziwin CGU's were found to be impaired as the carrying value exceeded the recoverable amount. The recoverable amount was calculated as the fair value of the assets less cost of disposal in an assumed asset sale. The fair value less costs to dispose was determined using a discounted cash flow approach based on proved plus probable reserves estimated by independent third party reserve evaluators at December 31, 2019 which were updated by internal reserve evaluators to March 31, 2020, 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 thirteen years subsequent to the date of the impairment test used in preparing the Company's March 31, 2020 impairment test.

	WTI Cushing Oklahoma (\$US/bbl)	MSW Light Edmonton 40 API (\$CDN/bbl)	Alberta AECO-spot (\$CDN/mmbtu)	Foreign Exchange (\$US/\$CDN)
2020	29.17	29.22	1.74	0.7067
2021	40.45	46.85	2.20	0.7283
2022	49.17	59.27	2.37	0.7450
2023	53.28	65.02	2.45	0.7467
2024	55.66	68.43	2.52	0.7483
2025	56.87	69.81	2.60	0.7500
2026	58.01	71.24	2.66	0.7500
2027	59.17	72.70	2.72	0.7500
2028	60.35	74.19	2.79	0.7500
2029	61.56	75.71	2.85	0.7500
2030	62.79	77.22	2.91	0.7500
2031	64.05	78.76	2.97	0.7500
2032	65.33	80.34	3.03	0.7500

The annual escalation rate used after 2032 is 2.0%.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment
Matziwin	33,797	15.0	14,470
Gilby	4,440	15.0	17,823
Herronton	6,715	15.0	7,793
Cherhill	16,030	15.0	8,169
Skiff	27,673	15.0	6,076
Pembina	635	15.0	2,692
Pine Creek	-	15.0	3,900
	89,290		60,923

The impairment in these seven CGUs was primarily attributable to the decline in oil prices. A one percent increase in the assumed discount rate would result in an additional impairment of approximately \$6 million for 2020 while a ten percent decrease in future planned cash flows would have increased the impairment by approximately \$9 million.

Impairment assessment – 2019

At December 31, 2019, the Company assessed whether there were internal or external indicators that its CGUs may be impaired or that historical impairments may be reversed. It was determined that impairment indicators were present for the Herronton CGU 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 evaluators 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%.

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, 2020 \$201 (December 31,

2019 - \$3,225) 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 \$440 (2019 - \$1,238) was realized.

Balance, January 1, 2019	13,410
Additions	267
Acquisitions	659
Lease expiries	(1,209)
Transfer to property, plant and equipment assets	(3,225)
Impairment	(1,238)
Balance, December 31, 2019	8,664
Additions	386
Dispositions	(14)
Acquisitions	33
Lease expiries	(799)
Transfer to property, plant and equipment	(201)
Impairment	(440)
Balance, December 31, 2020	7,629

8. BANK DEBT

On October 30, 2020, Journey secured a \$38,000 term-debt facility to fund the purchase of its \$75,000 credit facility with its syndicate of first-lien lenders. In addition to the initial \$38,000 payment to the syndicate, Journey will be contingently liable to pay a maximum of \$5,750 over a three year period with annual payments dependent on the achievement of specified price ranges for mixed, sweet, blended oil prices at the Edmonton, Alberta hub as reported by Natural Resources Canada. The fair value of the contingent liability is shown in the Consolidated Statement of Financial Position as "Other Liability". The payment in 2021 is capped at \$750; 2022 is capped at \$2,250; and in 2023 the payment is capped at the maximum total obligation of \$5,750. The settlement of the bank debt resulted in the recognition of a gain of \$35,664. The Company calculated the fair value of the contingent payment as at October 30, 2020 at \$1,336 based on forward commodity price forecast and assessed risk and volatility. At December 31, 2020 the Company revalued the contingent liability to \$1,943. The change in fair value of this liability was recorded in the statement of comprehensive loss as finance expenses.

	\$
Revolving credit facility, October 30, 2020	75,000
Proceeds from AIMCo term-debt	(38,000)
Fair value of contingent payment at October 30, 2020	(1,336)
Gain on debt restructuring	35,664

The following table summarizes the bank debt balances as at the respective year ends:

	December 31, 2020	December 31, 2019
Bank indebtedness	-	3,900
Revolving credit facility	-	65,000
Unamortized deferred financing costs	-	(67)
Balance, at end of year	-	68,833

9. TERM DEBT

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

	December 31, 2020	December 31, 2019
Tranche:		
1 - matures October 31, 2023	23,368	22,000
2 - matures September 30, 2022	22,946	22,000
3 - matures March 1, 2021	15,000	-
4 - matures October 31, 2021	10,000	-
5 - matures October 31, 2024	13,000	-
6 - matures October 31, 2024	5,350	-
Unamortized financing costs	(7,760)	(346)
Total	81,904	43,654
Current portion of term debt	(22,568)	-
Long term portion of term debt	59,336	43,654

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

- a) The first tranche of term debt matures on October 31, 2023 and bears interest at 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. 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 the debt modification a loss of \$636 was realized and expensed through the comprehensive statement of loss.
- b) The second tranche of term debt mature on September 30, 2022 and bears interest at 7.65% per annum.

The continuity of the first two tranches of term debt is as follows:

	Tranche 1	Tranche 2	Total
Balance, January 1, 2019	28,915	20,521	49,436
Repayment	(8,000)	-	(8,000)
Change in fair value on restructuring	1,539	-	1,539
Debt modification expense	(52)	-	(52)
Accretion	355	331	686
Amortization of deferred issuance expenses	30	15	45
Balance, December 31, 2019	22,787	20,867	43,654
Capitalized interest	1,367	946	2,313
Accretion	(188)	365	177
Deferred issuance expenses	(43)	(43)	(86)
Amortization of deferred issuance expenses	41	24	65
Balance, December 31, 2020	23,964	22,159	46,123

On October 30, 2020, Journey secured a \$38,000 of term debt from AIMCo to fund the settlement of the \$75,000 credit facility with its syndicate of first-lien lenders. The \$38,000 of term debt was provided in three tranches. The first is for \$15,000; bears interest at 11.5% per annum; and matures on June 30, 2021. The maturity was originally set at December 31, 2020 to coincide with the disposition of assets in Countess, Alberta. Due to the short maturity date of this debt, the fair value at the date of the loan was issued, was determined to be equal to its principal amount. The agreement for the sale of assets was terminated on March 1, 2021 and AIMCo extended the maturity to June 30, 2021. Journey repaid \$3,750 of this tranche on March 2, 2021. The second tranche is for \$10,000; matures on October 31, 2021 and bears interest at 9.0% per annum. The fair value of this tranche was determined using an effective rate of 15.0%. The third

tranche is for a principal amount of \$13,000; matures on October 31, 2024; and bears interest of 9.0% in year one, 9.85% in year two and 12.95% for years three and four. The fair value of this tranche was determined using an effective rate of 20.0%.

In connection with the term debt advances Journey issued five million share-purchase warrants to AIMCo (Note 13). The warrants entitle the holder to purchase one common share of Journey at an exercise price of \$0.16 per warrant prior to their expiry date of October 30, 2024. In addition a commitment fee loan, of \$5,350 is payable to AIMCo on October 30, 2024 and bears interest at rates which are dependent upon Edmonton mixed sweet reference oil prices. Below \$65 per barrel the loan bears no interest. Between \$65 and \$80 per barrel, the loan bears interest at 5.0% per annum and if oil prices exceed \$80 per barrel the loan bears interest at 10.0% per annum.

	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Total
Principal amount of term debt	15,000	10,000	13,000	5,350	43,350
Less: value allocated to warrants	-	(582)	(3,461)	-	(4,043)
Fair value at date of issue	15,000	9,418	9,539	5,350	39,307
Unamortized deferred finance costs	(2,187)	(1,458)	(1,896)	-	(5,541)
Amortization of deferred finance costs	1,458	243	79	-	1,780
Accretion expense	-	94	141	-	235
Balance, December 31, 2020	14,271	8,297	7,863	5,350	35,781

All tranches of the term debt are secured by a floating charge debenture over all of the Company's assets. There is a financial covenant that requires the Company to maintain its Liability Management Rating greater than 1.75. 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, 2020.

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, un-escalated amount of cash flows required to settle its decommissioning liabilities at December 31, 2020 to be \$191,909 (December 31, 2019 - \$191,923,) the majority of which, will be incurred at various times between 2021 and 2055. The present value of the future liability at December 31, 2020 has been discounted using a real interest rate of minus 0.3% (2019 - 0.4%), which is comprised of a risk-free discount rate of 1.2% (2019 - 1.4%) less an assumed inflation rate of 1.5% (2019 - 1.8%). Settlement of the decommissioning liabilities will be funded from general corporate funds at the time of retirement or removal. As at December 31, 2020, no funds have been set aside to settle these obligations.

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

	2020	2019
Balance, at beginning of year	166,478	181,849
Liabilities acquired during year	-	8
Revaluation of liabilities acquired during the year ⁽¹⁾	-	22
Liabilities disposed of during the year	(705)	-
Incurred on development activities during the year	-	886
Liabilities settled during the year	(480)	(2,236)
Revisions to estimates ⁽²⁾	(6,340)	(61,985)
Changes in discount rate	45,017	44,513
Accretion	2,209	3,421
Balance, at end of year	206,179	166,478
Current provision	2,567	2,600
Non-current provision	203,612	163,878

⁽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 was 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
Additions	59	132	191
Lease termination	(665)	(1,369)	(2,034)
Lease modification	(589)	(924)	(1,513)
Lease payments	-	(1,428)	(1,428)
Accretion	137	137	274
Lease obligations December 31, 2020	231	1,040	1,271

The undiscounted lease liability at December 31, 2020 is \$1,628 (2019 - \$6,486).

Effective November 1, 2020 the Company renegotiated its head office lease with the landlord. As part of the new lease, the landlord agreed to take back a portion of the previously leased space, reduced the cost on the remaining leased space and extended the term to August 31, 2025. In discounting the future lease liabilities associated with the new office lease the Company used the estimated cost of borrowing of 11% which takes into consideration the related leased asset. The modification of the lease resulted in the recognition of a \$483 gain.

12. SHARE CAPITAL

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, 2019	39,218	291,964
Flow-through share issuance, net of issue costs	2,791	7,236
Premium on flow-through shares	-	(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
Issued on exercise of PSU's and RSU's	914	137
Balance, December 31, 2020	44,001	300,758

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.

13. WARRANTS

	Number	Amount
Balance, January 1, 2019	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
Issued, net of deferred tax (iii)	5,000	3,073
Balance, December 31, 2020	6,137	3,809

- (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 restructuring the term notes in 2019.
- (ii) In connection with the 2019 term debt restructuring, 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.
- (iii) October 30, 2020 in conjunction with obtaining the new term debt (Note 9), the Company issued 5,000 share purchase warrants. The warrants are convertible into common shares on a one for one basis with an exercise price of \$0.16 per warrant and expire on October 31, 2024.

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 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 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, 2020, \$1,152 (2019 – \$2,034) 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, 2019	2,278
Granted	625
Settled	(1,125)
Forfeited	(25)
Balance at December 31, 2019	1,753
Settled	(1,044)
Forfeited	(113)
Balance at December 31, 2020	596

As at December 31, 2020 and December 31, 2019 there were no RSU's vested. Of the remaining balance of RSUs, 413 vest in October 2021 and 183 vest in October 2022.

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. During the year ended December 31, 2020 \$662 (2019 – \$1,122) 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, 2019	894
Granted	378
Settled	(236)
Balance at December 31, 2019	1,036
Forfeited	(10)
Settled	(297)
Balance at December 31, 2020	729

As at December 31, 2020 and December 31, 2019 there were no PSU’s vested. Of the remaining balance of PSUs, 356 vest in October 2021 and 373 vest in October 2022.

c) Stock option plan

All stock options granted have a maximum term of five years and vest in equal one-third increments on the anniversary of each grant date. 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, 2019	1,307	2.93	891
Expired	(122)	11.13	(122)
Exercised	(24)	1.97	(24)
Balance at December 31, 2019	1,161	2.05	1,134
Forfeited	(16)	2.02	(16)
Balance at December 31, 2020	1,145	2.05	1,145

As at December 31, 2020 there were 1,145 (December 31, 2019 – 1,134) stock options that were exercisable.

Exercise price	Number of options outstanding	Number of options exercisable	Weighted average years to expiry
\$1.33	30	30	0.1
\$1.75	20	13	1.8
\$1.91	460	460	0.3
\$2.12	575	575	0.8
\$2.85	25	25	1.3
\$3.01	35	35	1.3
	1,145	1,145	0.6

The Company accounted for 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 modified Black-Scholes option-pricing model.

During the year ended December 31, 2020 \$5 (December 31, 2019 - \$102) was recorded as share based compensation expense with respect to stock options.

During the year ended December 31, 2020 \$nil (December 31, 2019 - \$387) 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) 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. Company contributions to the plan were suspended indefinitely on March 1, 2020.

15. FINANCE EXPENSE

Finance expense is comprised of the following:

	2020	2019
Interest and charges	11,825	9,276
Accretion of lease obligations	274	355
Accretion of decommissioning liabilities	2,209	3,421
Accretion of term debt	412	686
Change in fair value of Other Liability	607	-
Finance expense	15,327	13,738

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, 2020 and 2019 are reconciled as follows:

	2020	2019
Net loss before taxes	(57,594)	(19,083)
Expected income tax recovery at the statutory rate of 24.0% (2019 – 26.5%)	(13,823)	(5,057)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	1	187
Loss on debt restructuring	-	168
Share based compensation expense	429	(104)
Changes in expected tax basis	-	1,226
Changes in enacted statutory rates	(1,561)	1,945
Flow-through share expense	-	1,923
Change in unrecognized deferred tax asset	13,984	12,849
Deferred income tax expense	(970)	13,137
Flow-through share premium	-	(865)
Total income tax expense	(970)	12,272

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

	2020	2019
PP&E and E&E assets	(47,672)	(38,871)
Decommissioning obligations	47,422	37,458
Fair value of financial instruments	447	112
Lease obligations	292	1,340
Term debt	(890)	(1,808)
Financing costs	401	92
Non-capital losses	-	1,677
Net deferred tax asset	-	-

During 2020, the Company de-recognized deferred tax assets of \$13,984 (2019 - \$12,849) 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, 2020.

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, 2019	(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)	-
Recognized in income	(8,802)	9,963	(1,677)	336	309	1,889	(1,048)	970
Recognized in equity	-	-	-	-	-	(970)	-	(970)
As at December 31, 2020	(45,850)	47,396	(7)	527	399	(889)	(1,576)	-

The Company has \$362,003 in non-capital losses available for carry forward, which expire at various times between 2027 and 2039. The Company has not recorded a net deferred income tax asset due to uncertainty in the current markets with respect to the sufficiency of future taxable profits against which the Company can utilize the benefits of certain tax attributes.

17. PER SHARE AMOUNTS

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

	2020	2019
Net loss and comprehensive loss	(56,624)	(31,355)
Weighted average shares outstanding - basic	43,164	40,172
Weighted average shares outstanding - diluted	43,164	40,172
Net loss per share – basic	(1.31)	(0.78)
Net loss per share – diluted	(1.31)	(0.78)

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. All outstanding stock options, RSU's, PSU's and warrants are excluded from the diluted number of shares as they are anti-dilutive.

18. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

	December 31, 2020		December 31, 2019	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Amortized cost				
Accounts receivable	9,285	9,285	15,193	15,193
Accounts payable and accrued liabilities	(16,198)	(16,198)	(27,715)	(27,715)
Term debt	(81,904)	(89,664)	(43,654)	(44,000)
Bank debt	-	-	(68,833)	(68,833)
Fair value through profit and loss				
Other liability	1,943	1,943	-	-
Derivative contracts – current asset	-	-	113	113
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, term debt, other liability and derivative contracts. The carrying value of the accounts receivable, accounts payable and accrued liabilities approximates their fair value at December 31, 2020 due to their short-term nature. The fair value of the term debt approximates the carrying value as current credit adjusted rates approximate the effective interest rates applied to the loans (level 2 inputs).

The fair value of the other liability and the commodity contracts are based upon Level 2 inputs. The commodity contracts are valued 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 the other liability and financial derivatives are recurring measurements and are determined using valuation methodologies that maximize the use of observable market data, including forward commodity prices and interest rates to estimate the fair value.

(b) Derivative contracts

All commodity price derivative contracts held at October 30, 2020 were monetized for net proceeds of \$570.

The (loss) gain on derivative contracts for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Realized	7,865	(253)
Unrealized	456	(1,685)
	8,321	(1,938)

(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.

	2020	2019
Accounts receivable	9,285	15,193
Derivative contracts	-	113
	9,285	15,306

Management has determined the provision for uncollectable accounts as at December 31, 2020 to be \$2,232 (2019 - \$498). Accounts receivable balances with third parties in excess of 90 days are \$2,698 (2019 - \$1,554). The primary reason for the increase in the provision resulted from a dispute with one of the Company's purchasers of natural gas. Effective April 1, 2020 Journey is no longer selling natural gas to this marketer as the Company considered the purchaser to be in breach of their contract. The marketer may dispute Journey's right to terminate the contract early. The outcome of this dispute currently is neither, quantifiable or estimable.

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

	2020	2019
Allowance for doubtful accounts, January 1	498	609
Amounts recovered (written off)	(296)	(203)
Changes to provision	2,030	92
Allowance for doubtful accounts, December 31	2,232	498

(ii) Interest rate risk

All the Company's term loans bear interest at fixed rates with the exception of the commitment fee loan, which bears interest only if certain oil price thresholds are met (Note 9).

(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 (see note 2(d)). Journey works to mitigate this risk by management of cash and debt. Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending. The following table details Journey's financial liabilities as at December 31, 2020:

	< 1year	1-2 years	> 2 years	Total
Accounts payable and accrued liabilities	16,198	-	-	16,198
Term debt - principal amount	25,000	22,946	41,718	89,664
Interest on term debt (at coupon rate)	6,513	5,348	5,333	17,194
	47,711	28,294	47,051	123,056

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 – principal amount	-	22,000	22,000	44,000
Interest on bank debt and bank indebtedness	2,598	-	-	2,598
Interest on term debt (at coupon rate)	4,213	4,213	5,896	14,322
	103,359	26,213	27,896	157,468

19. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

Sources (uses) of funds:	2020	2019
Accounts receivable	5,908	(5,973)
Prepaid expenses and deposits	(366)	649
Deferred financing charges	(3,715)	(34)
Capitalized interest	2,313	-
Accounts payable and accrued liabilities	(11,517)	10,837
	(7,377)	5,479
Relating to:		
Operating activities	545	1,593
Financing activities	(3,715)	(34)
Investing activities	(4,207)	3,920
	(7,377)	5,479

b) Supplementary cash flow information

	2020	2019
Interest paid	6,543	5,466

c) Sales by product type

	2020	2019
Crude oil	44,032	87,290
Natural gas	19,317	16,437
Natural gas liquids	4,563	5,463
Petroleum and natural gas sales	67,912	109,190

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 Journey acts as agent for a third party, then revenue is recognized on a net realized basis 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:

	2020	2019
Capitalized to property, plant and equipment	-	906
General and administrative expense	3,613	6,680
Share based compensation expense	1,819	2,871
Total employee compensation costs	5,432	10,457

20. RELATED PARTY TRANSACTIONS

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

	2020	2019
Salaries and wages	1,167	1,167
Short-term employee benefits	82	538
Share based payments (i)	834	1,154
	2,083	2,859

- (i) These amounts represent the amortization of share-based compensation associated with the Company's share based compensation plans.
- (ii) As at December 31, 2020 there were nine (2019 – ten) individuals that were considered key management personnel.
- (iii) At December 31, 2020 there is a \$2,292 commitment (2019 - \$3,417) 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 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	2021	2022-2023	2024-2025	2026 and beyond
Natural gas transportation	700	298	286	103	13
Operating payments	1,628	352	570	706	-
	2,328	650	856	809	13

(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, 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 as a result of the COVID-19 pandemic, 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 principal amount of 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 continued leverage, even after the debt restructuring, due to the unstable economic environment because of the ongoing global pandemic has resulted in the Company reducing capital expenditures in 2021 to maintenance capital only to aid in moving the net debt to funds flow ratio closer to the desired level. See note 2(d) "Going Concern".

23. SUBSEQUENT EVENTS

March 1, 2021 the Company formally terminated the purchase and sale agreement with the purchaser of the assets in Countess Alberta. These assets include both producing oil and gas assets as well as electricity generation assets. In conjunction with this decision, Journey has also executed an amendment to its credit agreement with its term debt lender to extend the maturity date of the \$15,000 tranche of term debt to June 30, 2021.

On March 2, 2021 Journey made a repayment of \$3,750 of the outstanding amount of the \$15,000 tranche of term debt from available funds on hand.