JOURNEY ENERGY INC.

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

(in thousands of Canadian dollars)

	Note	**June 30, 2017**	December 31, 2016
ASSETS			
CURRENT			
Cash		**2,288**	1,584
Accounts receivable		**16,330**	14,055
Prepaid expenses and deposits		**3,918**	1,614
Derivative contracts	16(b)	**3,869**	-
Total current assets		**26,405**	17,253
Property, plant and equipment	4	**394,234**	329,882
Exploration and evaluation assets	5	**12,286**	9,991
Derivative contracts	16(b)	**129**	-
Deferred tax asset		**121,879**	126,890
Total assets		**554,933**	484,016
LIABILITIES			
CURRENT			
Bank debt	7	**71,766**	52,463
Accounts payable and accrued liabilities		**16,671**	21,256
Deferred lease obligation		**62**	62
Derivative contracts	16(b)	**-**	11,304
Decommissioning liabilities	9	**1,879**	2,025
Total current liabilities		**90,378**	87,110
Promissory notes	8	**28,154**	27,953
Deferred lease obligation		**357**	388
Derivative contracts	16(b)	**-**	1,434
Decommissioning liabilities	9	**182,527**	147,271
Total liabilities		**301,416**	264,156
EQUITY			
Share capital	10	**388,496**	368,428
Contributed Surplus		**28,414**	24,628
Warrants	11	**-**	2,076
Deficit		**(163,393)**	(175,272)
Total equity		**253,517**	219,860
Total liabilities and equity		**554,933**	484,016
Commitments	18		

See accompanying notes.

APPROVED BY THE BOARD

"Signed" **Glenn A. Hamilton, Director**

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

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)

For the three and six months ended June 30, 2017 and 2016

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

	Note	Three months ended	June 30,	Six months ended	June 30,
		2017	2016	**2017**	2016
REVENUE					
Petroleum and natural gas sales		**29,613**	20,450	**56,303**	38,505
Royalties		**(3,571)**	(1,352)	**(6,675)**	(3,579)
Gain (loss) on derivative contracts	16(b)	**7,706**	(8,405)	**15,265**	(6,726)
Net Revenue		**33,748**	10,693	**64,893**	28,200
EXPENSES					
Operating		**11,994**	8,743	**23,164**	18,885
Transportation		**508**	333	**868**	677
General and administrative		**2,300**	2,292	**5,231**	6,154
Share based compensation	12	**965**	835	**1,401**	1,559
Exploration and evaluation	5	**1,162**	2,145	**1,276**	2,269
Gain on disposal of assets		**(6,254)**	-	**(5,596)**	-
Depletion and depreciation	4	**8,874**	7,385	**16,647**	14,909
Transaction costs		**590**	-	**590**	-
Finance expenses	13	**2,299**	1,952	**4,422**	3,735
Total expenses		**22,438**	23,685	**48,003**	48,188
NET INCOME (LOSS) BEFORE TAXES		**11,310**	(12,992)	**16,890**	(19,988)
TAXES					
Deferred income tax expense (recovery)	14	**3,351**	(3,278)	**5,011**	(4,884)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**7,959**	(9,714)	**11,879**	(15,104)
NET INCOME (LOSS) PER SHARE	15				
Basic		**0.16**	(0.22)	**0.25**	(0.35)
Diluted		**0.16**	(0.22)	**0.24**	(0.35)

See accompanying notes.

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Changes in Equity *(unaudited)*

(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2017	368,428	24,628	2,076	(175,272)	219,860
Comprehensive income	-	-	-	11,879	11,879
Exercise of warrants	13,613	2,076	(2,076)	-	13,613
Normal course issuer bid	(80)	60	-	-	(20)
Issued on asset acquisition	6,535	-	-	-	6,535
Share based compensation	-	1,661	-	-	1,661
Settlement of restricted share units	-	(11)	-	-	(11)
Balance, June 30, 2017	**388,496**	**28,414**	**-**	**(163,393)**	**253,517**

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2016	368,254	21,439	(227,865)	161,828
Comprehensive loss	-	-	(15,104)	(15,104)
Share based compensation	-	1,775	-	1,775
Balance, June 30, 2016	368,254	23,214	(242,969)	148,499

JOURNEY ENERGY INC.

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

For the three and six months ended June 30, 2017 and 2016

(in thousands of Canadian dollars)

	Note	Three months ended June 30, **2017**	Three months ended June 30, 2016	Six months ended June 30, **2017**	Six months ended June 30, 2016
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:					
OPERATING					
Net Income (loss)		**7,959**	(9,714)	**11,879**	(15,104)
Adjustments for:					
Unrealized loss (gain) on derivative contracts	16(b)	**(7,999)**	10,063	**(16,736)**	11,209
Share based compensation	12	**965**	835	**1,401**	1,559
Depletion and depreciation	4	**8,874**	7,385	**16,647**	14,909
Loss (gain) on disposal of assets		**(6,254)**	-	**(5,596)**	-
Accretion of decommissioning liabilities	9	**951**	782	**1,766**	1,589
Accretion of promissory notes	8	**109**	-	**216**	-
Deferred income tax expense (recovery)	14	**3,351**	(3,278)	**5,011**	(4,884)
Exploration and evaluation expense	5	**1,162**	2,145	**1,276**	2,269
Decommissioning costs incurred	9	**(60)**	(256)	**(478)**	(350)
Changes in non-cash working capital	17(a)	**(3,892)**	(8,288)	**(6,399)**	(10,518)
Total cash flow provided by (used in) operating activities		**5,166**	(326)	**8,987**	679
FINANCING					
Changes in bank debt		**27,000**	-	**19,537**	-
Settlement of restricted share units		**(6)**	-	**(11)**	-
Normal course issuer bid		**(20)**		**(20)**	-
Issuance of share capital	10	**535**	-	**14,148**	-
Changes in non-cash working capital	17(a)	**(228)**	(88)	**(249)**	(32)
Total cash flow provided by (used in) financing activities		**27,281**	(88)	**33,405**	(32)
INVESTING					
Additions to property, plant and equipment	4	**(5,155)**	(862)	**(12,012)**	(3,878)
Additions to exploration and evaluation assets	5	**(124)**	(107)	**(864)**	(195)
Additions to administrative assets	4	**(3)**	(7)	**(75)**	(9)
Acquisition of property, plant and equipment and exploration and evaluation assets		**(29,440)**	(3,445)	**(32,291)**	(4,058)
Disposition of property, plant and equipment and exploration and evaluation assets		**6,245**	-	**6,350**	-
Changes in non-cash working capital	17(a)	**(2,820)**	(1,136)	**(2,796)**	(2,569)
Total cash flow used in investing activities		**(31,297)**	(5,557)	**(41,688)**	(10,709)
NET INCREASE TO CASH (BANK INDEBTEDNESS)		**1,150**	(5,971)	**704**	(10,062)
CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD		**1,138**	(4,779)	**1,584**	(688)
CASH (BANK INDEBTEDNESS), END OF PERIOD		**2,288**	(10,750)	**2,288**	(10,750)
Supplementary cash flow information	17 (b)				

See accompanying notes.

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

The registered address of Journey is 4300, 888 3rd Street SW Calgary, Alberta, Canada and the corporate head office is located at 700, 517-10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, the “Financial Statements”, including prior year comparative information, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), that are applicable to interim financial statements. These Financial Statements have been prepared following the same accounting policies and method of computation as the audited annual consolidated financial statements for the year ended December 31, 2016. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended June 30, 2017 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on August 9, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

During the six months ended June 30, 2017 the Company did not adopt any new or amended accounting standards or interpretations.

Future Changes in Accounting Standards

There were no new or amended accounting standards or interpretations issued during the period ended June 30, 2017 that will affect the Company’s future reporting periods. A summary of accounting standards and interpretations that will have an impact on future reporting periods of the Company are described in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2016.

4. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Administrative	Total
Balance, January 1, 2016	1,399,327	4,189	1,403,516
Additions	15,730	18	15,748
Acquisition of property, plant and equipment	10,803	-	10,803
Changes in decommissioning obligations	(5,408)	-	(5,408)
Capitalized share-based compensation	535	-	535
Dispositions of property, plant and equipment	(261,729)	-	(261,729)
Transfer from exploration and evaluation assets	133	-	133
Balance, December 31, 2016	1,159,391	4,207	1,163,598
Additions	12,012	75	12,087
Acquisition of property, plant and equipment	48,157	-	48,157
Changes in decommissioning obligations	26,892	-	26,892
Capitalized share-based compensation	260	-	260
Disposition of property, plant and equipment	(18,416)	-	(18,416)
Transfer to exploration and evaluation assets	(25)	-	(25)
Balance, June 30, 2017	**1,228,271**	**4,282**	**1,232,553**

	Petroleum and natural gas properties	Administrative	Total
Accumulated depletion, depreciation and impairment losses			
Balance, January 1, 2016	(1,136,196)	(3,610)	(1,139,806)
Provision for the year	(27,833)	(175)	(28,008)
Disposals	253,052	-	253,052
Impairment	(22,347)	-	(22,347)
Impairment reversal/change in estimate	103,393	-	103,393
Balance, December 31, 2016	(829,931)	(3,785)	(833,716)
Provision for the period	(16,570)	(77)	(16,647)
Disposals	12,044	-	12,044
Balance, June 30, 2017	**(834,457)**	**(3,862)**	**(838,319)**

	Petroleum and natural gas properties	Administrative	Total
Carrying amounts, as at			
January 1, 2016	263,131	579	263,710
December 31, 2016	329,460	422	329,882
June 30, 2017	**393,814**	**420**	**394,234**

Future development costs on proved plus probable undeveloped reserves of $206,880 (December 31, 2016 - $166,915) were included in the depletion calculation. During the period ended June 30, 2017, the Company capitalized $548 (December 31, 2016 - $1,049) in salaries, wages and benefits, and $260 (December 31, 2016 – $535) related to share based compensation that was directly related to development drilling activities.

Journey disposed of assets in the six month period ended June 30, 2017 for cash proceeds of $6,350 (2016 – nil) which resulted in a gain of $5,596 recorded in the comprehensive statement of income (loss).

5. EXPLORATION AND EVALUATION ASSETS

	$
Balance, January 1, 2016	15,436
Additions	507
Acquisitions	117
Disposals	(1,033)
Transfer to property, plant and equipment	(133)
Lease expiries	(3,229)
Impairment	(1,674)
Balance, December 31, 2016	9,991
Additions	864
Acquisitions	2,906
Disposals	(224)
Transfer from property, plant and equipment	25
Lease expiries	(1,276)
Balance, June 30, 2017	**12,286**

6. ACQUISITIONS

On January 25, 2017 the Company closed the acquisition of certain light oil and natural gas properties in the Crystal area, which complemented the company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed $579 to revenue and $312 to net income before tax for the post acquisition period. If the properties were acquired on January 1, 2017 the effect on revenue would have been $631 and a $351 impact on net income before tax.

Fair value of net assets acquired	**$**
Petroleum and natural gas properties	**2,578**
Exploration and evaluation assets	**247**
Decommissioning liability	**(88)**
	2,737
Consideration:	
Cash	**2,737**
	2,737

On April 28, 2017 the Company closed the acquisition of certain light oil and natural gas properties predominantly in the Sylvan Lake and Pine Creek areas, which complemented the company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. In the closing of this acquisition the Company incurred $582 of transaction costs that were primarily paid by issuing equity. This acquisition contributed $3,369 to revenue and $1,659 to net income before tax for the post acquisition period. If the properties were acquired on January 1, 2017 the effect on revenue would have been $9,528 and a $4,693 impact on net income before tax.

Fair value of net assets acquired	**$**
Petroleum and natural gas properties	**42,777**
Exploration and evaluation assets	**2,641**
Decommissioning liability	**(10,950)**
	34,468
Consideration:	
Share consideration	**6,000**
Cash	**28,468**
	34,468

During the six months ended June 30, 2017 the Company also closed three minor acquisitions in key areas for total cash consideration of $1,086.

7. BANK DEBT

As at June 30, 2017, Journey had a $125,000 (December 31, 2016 - $90,000) credit facility with a syndicate of banks. This facility was comprised of a production facility of $110,000 and a working capital facility of $15,000. The production and working capital facility are available on a revolving basis until maturity of the facility on April 30, 2018. Upon a request from Journey, and subject to the syndicates' approval, the facilities may be extended by one year until April 30, 2019. Advances under the facilities are available by way of prime rate loans with interest rates of between 1.0 percent and 4.5 percent over the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent depending on the debt to cash flow ratio as calculated as of the Company's immediately preceding quarter end. Standby fees are charged on the undrawn facilities at rates ranging from 0.5 percent to 1.375 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility, including renewal fees for the six month period ended June 30, 2017 was 4.6% (2016 – 4.8%). At June 30, 2017 the Company had an outstanding letter of credit in the amount of $375 that expires June 30, 2018.

The credit facilities are secured by a $500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. In addition, there are certain standard non-financial covenants in its credit facility agreement. Journey is in compliance with all covenants as at June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Revolving credit facility	**72,000**	52,463
Deferred financing charges	**(234)**	-
Balance, at end of period	**71,766**	52,463

8. PROMISSORY NOTES

Principal amount of Promissory Notes	30,000
Less: value allocated to warrants	(2,076)
Fair value at date of issue on October 6, 2016	27,924
Accretion expense	101
Unamortized deferred issuance expenses	(72)
Promissory Notes, December 31, 2016	27,953
Accretion expense	**216**
Unamortized deferred issuance expenses	**(15)**
Promissory Notes, June 30, 2017	**28,154**

The notes bear interest at 7.65% per annum with interest payable semi-annually and mature on October 31, 2020.

9. 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, gathering systems, processing facilities and oil batteries. The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning liabilities at June 30, 2017 to be $189,359 (December 31, 2016 - $161,058) which will be incurred at various times between 2018 and 2121. The present value of the decommissioning liabilities for the period ended June 30, 2017 was calculated using a risk free rate of 2.1% (December 31, 2016 – 2.2%) and an inflation factor of 2.0% (December 31, 2016 – 2.0%). Settlement of the liabilities will be funded from general corporate funds at the time of retirement or removal. As at June 30, 2017, no funds have been set aside to settle these obligations. Changes to decommissioning liabilities during the periods were as follows:

	June 30, 2017	December 31, 2016
Balance, at beginning of period	**149,296**	167,160
Liabilities acquired	**12,772**	5,903
Revaluation of liabilities acquired(1)	**21,676**	16,821
Liabilities disposed	**(5,842)**	(21,004)
Incurred on development activities	**575**	501
Liabilities settled	**(478)**	(526)
Revisions to estimates	**(532)**	(9,168)
Changes in discount rate	**5,173**	(13,562)
Accretion	**1,766**	3,171
Balance, at end of period	**184,406**	149,296

(1) Immediately after the acquisition the liability was revalued using a risk-free discount rate. At the date of acquisition the acquired decommissioning liabilities were fair valued using a credit adjusted risk free rate.

10. SHARE CAPITAL

As at June 30, 2017, Journey has an unlimited number of voting common shares that may be authorized and issued. 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. All common shares are of the same class with equal rights and privileges. In addition, the Company has an unlimited number of preferred shares with no par value available for issuance. The outstanding shares of the Company at each respective period end are as follows:

COMMON SHARES	Number	$
Balance, January 1, 2016	29,088	261,050
Transfer from contributed surplus on exercise of stock options	-	152
Issued on exercise of stock options and RSU's	88	22
Transfer from restricted voting shares (i)	14,527	107,204
Balance, December 31, 2016	43,703	368,428
Issuance on warrant exercise (note 11)	4,950	13,613
Issuance on asset acquisition (note 6)	2,261	6,535
Normal course issuer bid (ii)	(10)	(80)
Balance, June 30, 2017	**50,904**	**388,496**

RESTRICTED VOTING SHARES	Number	$
Balance, January 1, 2016	14,527	107,204
Transfer to common shares (i)	(14,527)	(107,204)
Balance, December 31, 2016 and June 30, 2017	-	-
Total share capital, December 31, 2016	43,703	368,428
Total share capital, June 30, 2017	**50,904**	**388,496**

i. *Restricted voting shares*
On September 30, 2016 the sole shareholder of the restricted voting shares disposed of the majority of their holdings and subsequently all of the restricted voting shares were converted into common shares under the terms of the these shares.

ii. *Normal course issuer bid*
Pursuant to the Normal Course Issuer Bid ("NCIB") approved by the Toronto Stock Exchange the Company is able to purchase up to 2,522 common shares for cancellation. The bid period commenced on June 19, 2017 and ends on June 18, 2018. During the period ended June 30, 2017 Journey repurchased 10 shares (2016 – nil) for $20 representing an average cost of $1.80 per common share.

11. WARRANTS

	Number	Amount
Balance, January 1, 2016	-	-
Issued in private placement	4,950	2,076
Balance, December 31, 2016	4,950	2,076
Exercised	(4950)	(2,076)
Balance, June 30, 2017	**-**	**-**

As part of a private placement of promissory notes (Note 8), 4,950 share purchase warrants were issued. The warrants were convertible into common shares of Journey on a one for one basis and had an exercise price of $2.75 per warrant. On March 2, 2017 all the outstanding warrants were exercised and 4,950 common shares were issued.

12. SHARE BASED COMPENSATION

a) Restricted Share Units ("RSU's") and Performance Share Units ("PSU's")

During the period $1,207 (2016 – $914) was charged to share based compensation expense for RSU's and PSU's previously issued.

The following table summarizes the RSU's and PSU's outstanding:

	RSU's	PSU's
Balance at January 1, 2016	1,076	313
Granted	521	249
Exercised	(139)	-
Forfeited	(150)	(58)
Balance at December 31, 2016	1,308	504
Granted	338	-
Exercised	(6)	-
Forfeited	(72)	(14)
Balance at June 30, 2017	**1,568**	**490**

b) Stock option plan

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

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

	Stock options	**Weighted average exercise price $**	**Number of options exercisable**
Balance, January 1, 2016	2,745	7.26	1,464
Granted	1,250	2.00	-
Forfeited	(599)	6.89	(443)
Surrendered	(577)	9.39	(192)
Exercised	(12)	1.86	(12)
Balance at December 31, 2016	2,807	4.58	1,207
Granted	60	2.94	-
Forfeited	(125)	8.07	(73)
Balance at June 30, 2017	**2,742**	**4.45**	**1,517**

For the period ended June 30, 2017, 60 (June 30, 2016 – 602) stock options were granted to employees. During the period ended June 30, 2017, $191 (June 30, 2016 - $315) was recorded as share based compensation expense.

In the period ended June 30, 2017 $260 (June 30, 2016 - $216) was capitalized with respect to grants related to technical personnel for RSU's, PSU's and stock options. A corresponding credit to contributed surplus was made for these amounts.

c) Performance warrants

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

Series A	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2016	197	6.00	3.78
Forfeited	(46)	6.00	3.78
Balance at December 31, 2016	151	6.00	3.78
Forfeited	(1)	6.00	3.78
Balance at June 30, 2017	**150**	**6.00**	**3.78**

All of the series A performance warrants were exercisable at June 30, 2017 (June 30, 2016 – 59).

Series B	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2016	388	7.00	3.46
Forfeited	(90)	7.00	3.46
Balance at December 31, 2016	298	7.00	3.46
Forfeited	(2)	7.00	3.46
Balance at June 30, 2017	**296**	**7.00**	**3.46**

All of the series B performance warrants were exercisable at June 30, 2017 (June 30, 2016 – 116).

Series C	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2016	372	11.14	5.23
Forfeited	(33)	12.00	5.01
Balance at December 31, 2016	339	11.06	5.25
Forfeited	(93)	11.49	5.76
Balance at June 30, 2017	**246**	**11.59**	**5.11**

82 of the series C performance warrants were exercisable at June 30, 2017 (June 30, 2016 – 124).

For the period ended June 30, 2017 $3 (2016 - $330) was charged to share based compensation expense for warrants.

d) Share purchase warrants

The share purchase warrants outstanding are as follows:

	Number	**Weighted average Exercise price $**	**Weighted average fair value per warrant $**
Balance, January 1, 2016, December 31, 2016 and June 30, 2017	**975**	**6.98**	**2.16**

All of the share purchase warrants were exercisable at June 30, 2017 and June 30, 2016.

13. FINANCE EXPENSES

	Three months ended	June 30,	Six months ended	June 30,
	2017	2016	**2017**	2016
Interest and bank charges	**1,239**	1,170	**2,440**	2,146
Accretion on decommissioning liabilities	**951**	782	**1,766**	1,589
Accretion on promissory notes	**109**	-	**216**	-
Finance expenses	**2,299**	1,952	**4,422**	3,735

14. DEFERRED TAXES

The provision for deferred income tax reflects an effective rate which differs from the expected statutory federal and provincial tax rates. Differences between the statutory and effective rates for the periods ended June 30, 2017 and 2016 are accounted for as follows:

	Three months ended	June 30,	Six months ended	June 30,
	2017	2016	**2017**	2016
Net income (loss) before taxes	**11,310**	(12,992)	**16,890**	(19,988)
Expected income taxes, at the statutory rate of 27.0% (2016 – 27.0%)	**3,053**	(3,508)	**4,560**	(5,397)
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	**266**	230	**389**	429
Accretion on promissory notes	**29**	-	**58**	-
Non-deductible items	**3**	-	**4**	-
Changes in enacted tax rates	**-**	84	**-**	84
Deferred income tax expense (recovery)	**3,351**	(3,278)	**5,011**	(4,884)

15. PER SHARE AMOUNTS

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

		Three months ended June 30,		Six months ended June 30,	
		2017	2016	**2017**	2016
Net income (loss)		**7,959**	(9,714)	**11,879**	(15,104)
Weighted average shares outstanding - basic		**50,212**	43,615	**47,769**	43,615
Weighted average shares outstanding - diluted		**50,782**	43,615	**48,561**	43,615
Net income (loss) per share – basic	**$**	**0.16**	$ (0.22)	**$ 0.25**	$ (0.35)
Net income (loss) per share – diluted	**$**	**0.16**	$ (0.22)	**$ 0.24**	$ (0.35)

The basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding for the period. For the six month period ended June 30, 2017 the dilutive impact of RSU's, PSU's and stock options was an additional 792 common shares and 570 common shares for the three month period ended June 30, 2017. For the three and six month periods ended June 30, 2016 the dilutive impact of 1,283 RSU's, PSU's and stock options was omitted as it would have been ant-dilutive.

16. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has elected to designate its financial instruments as follows:

	June 30, 2017		December 31, 2016	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Cash	**2,288**	**2,288**	1,584	1,584
Loans and receivables				
Accounts receivable	**16,330**	**16,330**	14,055	14,055
Held-for-trading				
Derivative contracts – current asset	**3,869**	**3,869**	-	-
Derivative contracts – non-current asset	**129**	**129**	-	-
Derivative contracts – current liability	**-**	**-**	(11,304)	(11,304)
Derivative contracts – non-current liability	**-**	**-**	(1,434)	(1,434)
Other financial liabilities				
Accounts payable and accrued liabilities	**(16,671)**	**(16,671)**	(21,256)	(21,256)
Promissory notes	**(28,154)**	**(30,000)**	(27,953)	(30,000)
Bank debt	**(71,766)**	**(72,000)**	(52,463)	(52,463)

The fair value of bank debt is based upon level 2 inputs. The fair value of the bank debt approximates the carrying value as the debt carries a floating interest rate that approximates a market rate of interest. The fair value of Journey's commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data.

(b) Derivative contracts

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

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl (CDN)	Term	Fair value
Swap	1,000	WTI NYMEX	$60.00	January 1, 2017 to December 31, 2017	(94)
Swap	500	WTI NYMEX	$72.05	July 1, 2017 to December 31, 2017	1,059
3 way Collar	1,000	WTI NYMEX	$39.50/ $60.00/$65.00	October 1, 2016 to March 31, 2018	524
Total oil derivative contracts fair value					**1,489**

Gas contracts	Volume GJ's/d	Pricing point	Strike price per GJ (CDN)	Term	Fair value
Collar	5,000	AECO 7a	$2.40-2.85	November 1, 2016 to March 31,2018	67
Swap	5,000	AECO 7a	$3.00	January 1, 2017 to December 31, 2017	554
Swap	2,500	AECO 7a	$3.28	January 1, 2018 to March 31, 2018	134
Swap	2,500	AECO 7a	$2.45	April 1, 2018 to June 30, 2018	46
Swap	2,500	AECO 7a	$2.45	July 1, 2018 to September 30, 2018	39
Swap	2,500	AECO 7a	$2.62	October 1, 2018 to December 31, 2018	45
Swap	2,500	AECO 7a	$2.91	July 1, 2017 to September 30, 2017	145
Swap	2,500	AECO 7a	$3.14	October 1, 2017 to December 31, 2017	149
Swap	2,000	AECO 7a	$2.95	July 1, 2017 to September 30, 2017	124
Swap	2,000	AECO 7a	$3.18	October 1, 2017 to December 31, 2017	126
Swap	500	AECO 7a	$2.95	July 1, 2017 to September 30, 2017	31
Swap	500	AECO 7a	$3.18	October 1, 2017 to December 31, 2017	32
Swap	1,000	AECO 7a	$3.46	January 1, 2018 to March 31, 2018	69
Swap	1,000	AECO 7a	$2.55	April 1, 2018 to June 30, 2018	27
Swap	1,000	AECO 7a	$2.54	July 1, 2018 to September 30, 2018	24
Swap	1,000	AECO 7a	$2.66	October 1, 2018 to December 31, 2018	22
Swap	500	AECO 7a	$3.12	July 1, 2017 to March 31, 2018	875
Total gas derivative contracts fair value					**2,509**
Total derivative contracts fair value					**3,998**

A 10% change in oil and natural gas prices would have resulted in unrealized gains or losses on these commodity contracts impacting net income by $2,238.

The (gain) loss on derivative contracts for the periods ended June 30, 2017 and 2016 were as follows:

	Three months ended June 30		Six months ended June 30,	
	2017	2016	**2017**	2016
Realized	**293**	(1,658)	**1,471**	(4,483)
Unrealized	**(7,999)**	10,063	**(16,736)**	11,209
	(7,706)	8,405	**(15,265)**	6,726

(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 of the month following 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.

	2017	2016
Accounts receivable	**16,330**	14,055

For the period ended June 30, 2017, Journey determined that $249 (2016 - $222) of receivables from third parties were uncollectable and specifically provided for them in the provision for uncollectable accounts. At June 30, 2017 Journey assessed its provision for uncollectable accounts and increased it to $318 (2016 - $322). Accounts receivable balances outstanding greater than ninety days at June 30, 2017 was $1,443 (2016 – $1,267).

(ii) Interest rate risk

Borrowings under bank credit facilities are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. A 1% change in interest rates, using bank debt balances at June 30, 2017 would result in a $526 change to annual net income.

(iii) Foreign exchange risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are directly correlated to U.S. dollar benchmark prices and derivative contracts denominated in U.S. dollars.

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. Journey mitigates this risk by management of cash and debt. Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital balance. The Company is completed of the annual review of credit facility April 30, 2018. The currently available capacity on the Company's credit facility is currently assessed by Management to be sufficient to ensure all obligations will be met as they come due.

The following table details Journey's financial liabilities as at June 30, 2017:

	< 1year	**1 - 2 years**	**3 – 4 years**	**Total**
Accounts payable and accrued liabilities	16,671	-	-	16,671
Bank Debt	72,000	-	-	72,000
Promissory notes	-	-	30,000	30,000
Interest on bank debt	2,635	-		2,635
Interest on promissory notes	2,295	4,596	773	7,664
	93,601	**4,596**	**30,773**	**128,970**

17. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
Sources (uses) of funds	**2017**	2016	**2017**	2016
Accounts receivable	**(1,719)**	(1,113)	**(2,275)**	(108)
Prepaid expenses and deposits	**(26)**	(1,263)	**(2,304)**	(1,232)
Deferred financing charge	**(228)**	(88)	**(249)**	(32)
Deferred lease obligation	**(16)**	(15)	**(31)**	(31)
Accounts payable and accrued liabilities	**(4,951)**	(7,033)	**(4,585)**	(11,716)
	(6,940)	(9,512)	**(9,444)**	(13,119)
Relating to:				
Operating activities	**(3,892)**	(8,288)	**(6,399)**	(10,550)
Financing activities	**(228)**	(88)	**(249)**	(32)
Investing activities	**(2,820)**	(1,136)	**(2,796)**	(2,569)
	(6,940)	(9,512)	**(9,444)**	(13,119)

b) Supplementary cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Interest paid	**1,274**	1,002	**1,854**	1,914

18. 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 financial statements.

(a) Transportation and office lease costs

The Company committed to firm-service contracts for the transportation of certain portions of its natural gas production. In addition, the Company has committed to future minimum payments under an operating lease that covers the rental of its head office space and a proportionate share of operating costs. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts.

	Total	2017	2018 - 2019	2020 - 2021	Thereafter
Natural gas transportation	**1,886**	398	1,112	343	33
Operating leases	**12,664**	982	3,857	3,756	4,069
Total	**14,550**	1,380	4,969	4,099	4,102

19. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt and working capital (current assets less current liabilities, but excluding the fair value of derivative contracts and decommissioning liabilities). The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve access to markets and its ability to meet its financial obligations as they come due and to finance internally generated growth. To do this Management strives to optimize its cost of capital using an acceptable level of risk. To manage its capital structure Journey may: issue equity or term debt, adjust 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 as a result of drilling successes or failures, general economic conditions, the state of the petroleum industry and global events that 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. The budget is flexible and is re-visited at each board meeting to ensure the Company's finances are being managed in accordance with the Board objectives.

Journey remains committed to reducing bank debt and restoring the net debt to funds flow ratio to the internally desired level of approximately 2.0. Journey considers the most recent quarter's funds flows when deriving and adjusting its forecasts and assessing its net debt to funds flow ratio. The forecasts plan at least one year into the future. As at June 30, 2017 the net debt to annualized second quarter funds flow ratio was 2.5 times (June 30, 2016 – 3.1 times) which is higher than the desired level due to the acquisition that closed on April 28, 2017. The Company has altered its planned capital expenditures for the remainder of 2017 to allow this ratio to get closer to the desired level.

Below is the calculation of Journey's net debt to annualized funds flow for each of the three month periods ended June 30, 2017 and 2016.

	2017	2016
Bank debt, less cash in bank	**69,712**	100,662
Principal amount of promissory notes	**30,000**	-
Accounts receivable	**(16,330)**	(14,774)
Prepaid expenses	**(3,918)**	(3,160)
Accounts payable and accrued liabilities	**16,671**	20,267
Deferred lease obligations	**419**	482
Net debt	**96,554**	103,477
<u>Second quarter funds flow</u>		
Cash flow provided by operating activities	**5,166**	(414)
Add (deduct):		
Changes in non-cash working capital	**3,892**	8,376
Decommissioning costs incurred	**60**	256
Transaction costs	**590**	-
Funds flow from operations	**9,708**	8,218
Four times funds flow for the quarter	**38,832**	32,872
Net debt to annualized funds flow (times)	**2.5**	3.1