JOURNEY ENERGY INC.

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

(in thousands of Canadian dollars)

	Note	**June 30, 2018**	December 31, 2017
ASSETS			
CURRENT			
Cash		**68**	8,227
Accounts receivable		**14,042**	16,111
Prepaid expenses and deposits		**3,494**	1,319
Derivative contracts	15(b)	**604**	2,308
Total current assets		**18,208**	27,965
Property, plant and equipment	4	**344,032**	345,482
Exploration and evaluation assets	5	**15,141**	11,333
Deferred tax asset		**32,203**	32,203
Total assets		**409,584**	416,983
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**29,853**	28,290
Bank debt	6	**65,896**	69,922
Deferred lease obligation		**62**	62
Derivative contracts	15(b)	**15,858**	4,449
Decommissioning liabilities	8	**2,414**	2,476
Total current liabilities		**114,083**	105,199
Promissory notes	7	**49,007**	28,398
Deferred lease obligation		**295**	326
Derivative contracts	15(b)	**1,284**	16
Decommissioning liabilities	8	**174,745**	173,019
Total liabilities		**339,414**	306,958
EQUITY			
Share capital	9	**290,367**	386,017
Contributed Surplus		**107,862**	32,301
Warrants	10	**1,702**	-
Deficit		**(329,761)**	(308,293)
Total equity		**70,170**	110,025
Total liabilities and equity		**409,584**	416,983
Commitments	17		

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 (Loss) Income

For the three and six months ended June 30, 2018 and 2017

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

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
REVENUE					
Petroleum and natural gas sales	16(c)	**31,685**	29,613	**60,619**	56,303
Processing and other income		**767**	855	**1,743**	1,320
Royalties		**(4,128)**	(3,571)	**(8,111)**	(6,675)
Gain (loss) on derivative contracts	15(b)	**(12,274)**	7,706	**(20,462)**	15,265
Net Revenue		**16,050**	34,603	**33,789**	66,213
EXPENSES					
Operating		**13,682**	12,849	**27,482**	24,484
Transportation		**537**	508	**900**	868
General and administrative		**2,752**	2,300	**5,358**	5,231
Share based compensation	11	**503**	965	**1,071**	1,401
Exploration and evaluation	5	**1,095**	1,162	**1,217**	1,276
(Gain) loss on disposal of assets		**(1,830)**	(6,254)	**(3,657)**	(5,596)
Depletion and depreciation	4	**8,385**	8,874	**16,559**	16,647
Transaction costs		**12**	590	**49**	590
Finance expenses	12	**3,238**	2,299	**6,278**	4,422
Total expenses		**28,374**	23,293	**55,257**	49,323
(LOSS) INCOME BEFORE TAXES		**(12,324)**	11,310	**(21,468)**	16,890
Deferred income tax expense	13	**-**	3,351	**-**	5,011
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME		**(12,324)**	7,959	**(21,468)**	11,879
NET (LOSS) INCOME PER SHARE	14				
Basic		**(0.32)**	0.16	**(0.53)**	0.25
Diluted		**(0.32)**	0.16	**(0.53)**	0.24

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, 2018	386,017	32,301	-	(308,293)	110,025
Comprehensive loss	-	-	-	(21,468)	(21,468)
Warrants issued	-	-	1,702	-	1,702
Share repurchase	(95,674)	74,338	-	-	(21,336)
Share based compensation	-	1,254	-	-	1,254
Settlement of restricted share units	24	(31)	-	-	(7)
Balance, June 30, 2018	**290,367**	**107,862**	**1,702**	**(329,761)**	**70,170**

	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
Normal course issuer bid	(80)	60	-	-	(20)
Issued on asset acquisition	6,535	-	-	-	6,535
Share based compensation	-	1,661	-	-	1,661
Exercise of warrants	13,613	2,076	(2,076)	-	13,613
Settlement of restricted share units	-	(11)	-	-	(11)
Balance, June 30, 2017	388,496	28,414	-	(163,393)	253,517

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Cash Flows *(unaudited)*
For the three and six month periods ended June 30, 2018 and 2017
(in thousands of Canadian dollars)

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:					
OPERATING					
Net (loss) income		**(12,324)**	7,959	**(21,468)**	11,879
Adjustments for:					
Unrealized loss (gain) on derivative contracts	15(b)	**8,298**	(7,999)	**14,381**	(16,736)
Share based compensation	11	**503**	965	**1,071**	1,401
Depletion and depreciation	4	**8,385**	8,874	**16,559**	16,647
(Gain) loss on disposal of assets		**(1,830)**	(6,254)	**(3,657)**	(5,596)
Accretion of decommissioning liabilities	8	**973**	951	**1,934**	1,766
Accretion of promissory notes	7	**193**	109	**359**	216
Deferred income tax expense	13	**-**	3,351	**-**	5,011
Exploration and evaluation expense	5	**1,095**	1,162	**1,217**	1,276
Decommissioning costs incurred	8	**(78)**	(60)	**(692)**	(478)
Changes in non-cash working capital	16(a)	**(5,189)**	(3,892)	**(282)**	(6,399)
Cash flow provided by operating activities		**26**	5,166	**9,422**	8,987
FINANCING					
Changes in bank debt	6	**(1,000)**	27,000	**(4,000)**	19,537
Proceeds from issuance of promissory notes	7	**-**	-	**22,000**	-
Settlement of restricted share units		**(1)**	(6)	**(7)**	(11)
Share repurchase		**-**	(20)	**(21,336)**	(20)
Issuance of share capital		**-**	535	**-**	14,148
Changes in non-cash working capital	16(a)	**(106)**	(228)	**(74)**	(249)
Cash flow (used in) provided by financing activities		**(1,107)**	27,281	**(3,417)**	33,405
INVESTING					
Additions to property, plant and equipment	4	**(7,655)**	(5,155)	**(15,501)**	(12,012)
Additions to exploration and evaluation assets	5	**(1,283)**	(124)	**(1,768)**	(864)
Additions to administrative assets	4	**(17)**	(3)	**(39)**	(75)
Acquisition of property, plant and equipment and exploration and evaluation assets		**(1,469)**	(29,440)	**(3,617)**	(32,291)
Disposition of property, plant and equipment and exploration and evaluation assets		**2,925**	6,245	**5,053**	6,350
Changes in non-cash working capital	16(a)	**3,908**	(2,820)	**1,708**	(2,796)
Cash flow used in investing activities		**(3,591)**	(31,297)	**(14,164)**	(41,688)
NET (DECREASE) INCREASE TO CASH		**(4,672)**	1,150	**(8,159)**	704
CASH, BEGINNING OF PERIOD		**4,740**	1,138	**8,227**	1,584
CASH, END OF PERIOD		**68**	2,288	**68**	2,288

Supplementary cash flow information 16 (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 shares trade on the Toronto Stock Exchange.

These condensed consolidated interim 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"). 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, 2017, except as noted and disclosed in Note 3. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended June 30, 2018 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on August 7, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

<u>Accounting Standards adopted in 2018</u>

a) IFRS 9 "Financial instruments"

On January 1, 2018, Journey adopted IFRS 9 "Financial instruments" as issued by the IASB. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income instead of net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Journey does not currently apply hedge accounting. The standard was effective for annual periods beginning on January 1, 2018. The Company retrospectively adopted the standard on January 1, 2018. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements.

b) IFRS 15 “Revenues From Contracts With Customers”

IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Expanded disclosure requirements are also part of the standard. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. The standard is required to be either adopted retrospectively in full or using a modified approach where prior numbers remain and the retrospective effect is an adjustment to retained earnings. The standard had no material impact on the Company’s financial statements aside from enhanced disclosure related to revenue (Note 16(c)). The standard resulted in a change in presentation between processing and other income and operating expenses with no impact on consolidated net income. The Company retrospectively adopted this standard on January 1, 2018.

Future Changes in Accounting Standards

There were no new or amended accounting standards or interpretations issued during the period ended June 30, 2018 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, 2017.

4. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	**Administrative**	**Total**
Balance, January 1, 2017	1,159,391	4,207	1,163,598
Additions	29,842	84	29,926
Acquisition of property, plant and equipment	50,694	-	50,694
Changes in decommissioning obligations	14,903	-	14,903
Capitalized share-based compensation	568	-	568
Dispositions of property, plant and equipment	(18,416)	-	(18,416)
Balance, December 31, 2017	1,236,982	4,291	1,241,273
Additions	15,501	39	15,540
Changes in decommissioning obligations	2,271	-	2,271
Capitalized share-based compensation	183	-	183
Disposition of property, plant and equipment	(6,130)	-	(6,130)
Transfer from exploration and evaluation assets	188	-	188
Balance, June 30, 2018	**1,248,995**	**4,330**	**1,253,325**

	Petroleum and natural gas properties	Administrative	Total
Accumulated depletion, depreciation and impairment losses			
Balance, January 1, 2017	(829,931)	(3,785)	(833,716)
Provision for the year	(34,712)	(141)	(34,853)
Disposals	12,044	-	12,044
Impairment	(50,328)	-	(50,328)
Impairment reversal/change in estimate	11,062	-	11,062
Balance, December 31, 2017	(891,865)	(3,926)	(895,791)
Provision for the period	(16,498)	(61)	(16,559)
Disposals	3,057	-	3,057
Balance, June 30, 2018	**(905,306)**	**(3,987)**	**(909,293)**

	Petroleum and natural gas properties	Administrative	Total
Carrying Amounts, as at			
December 31, 2017	345,117	365	345,482
June 30, 2018	**343,689**	**343**	**344,032**

Future development costs on proved plus probable undeveloped reserves of $193,591 (December 31, 2017 - $208,625) were included in the depletion calculation. During the period ended June 30, 2018, the Company capitalized $603 (December 31, 2017 - $1,180) for salaries, wages and benefits, and $183 (December 31, 2017 – $568) of share based compensation that was directly related to development drilling activities.

Journey disposed of property, plant and equipment assets in the six month period ended June 30, 2018 for cash proceeds of $4,953 (2017 – $6,350) which resulted in a gain (loss) of $3,557 (2017 - $5,596) recorded in the comprehensive statement of income (loss).

5. EXPLORATION AND EVALUATION ASSETS

Balance, January 1, 2017	91
Additions	64
Acquisitions	38
Disposals	4)
Transfer to expense	715)
Lease expiries	988)
Impairment	3)
Balance, December 31, 2017	,333
Additions	68
Acquisitions	17
Disposals	2)
Transfer to property, plant and equipment	8)
Transfer to expense	)
Lease expiries	126)
Balance, June 30, 2018	**,141**

Journey disposed of exploration and evaluation assets in the six month period ended June 30, 2018 for cash proceeds of $100 (2017 – nil) which resulted in a gain of $100 (2017 - nil) recorded in the comprehensive statement of income (loss) as the assets had a nominal value to the Company as we retained other rights in the lands.

6. BANK DEBT

Journey renewed and amended its credit facility on April 30, 2018 and currently has a $100,000 credit facility with a syndicate of banks (December 31, 2017 - $125,000). This facility is comprised of a production facility of $85,000 and a working capital facility of $15,000. The production and working capital facilities are available on a revolving basis until their maturity on April 30, 2019. Upon a request from Journey, and subject to the syndicates' approval, the facilities may be extended by one year until April 30, 2020. If the facilities are not extended by the syndicate, then the full amount is due and payable on 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 above the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 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 period ended June 30, 2018 was 5.9% (June 30, 2017 – 4.6%). At June 30, 2018 the Company had an outstanding letter of credit in the amount of $75 that expires June 30, 2019.

The credit facilities are secured by a $500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base based on changes to reserves and/or forecast prices. In addition, there are certain standard non-financial covenants in the credit facility agreement. Journey is in compliance with all covenants as at June 30, 2018 and December 31, 2017.

	June 30, 2018	December 31, 2017
Revolving credit facility	**66,000**	70,000
Deferred financing fees	**(104)**	(78)
Balance, at end of period	**65,896**	69,922

7. PROMISSORY NOTES

Promissory Notes (A) January 1, 2017	27,953
Accretion expense	447
Unamortized deferred issuance expenses	(2)
Promissory Notes (A) December 31, 2017	28,398
Accretion expense	**238**
Amortized deferred issuance expenses	**13**
Promissory Notes (A) June 30, 2018	**28,649**

Promissory Notes were issued pursuant to a private placement on October 6, 2016 ("Promissory Notes (A)") and bear interest at 7.65% per annum with interest payable semi-annually and mature on October 31, 2020.

On February 1, 2018 Journey entered into a second private placement of promissory notes ("Promissory Notes (B)") whereby 22,000 units (the "Units") were issued at a price of $1,000 per unit for aggregate proceeds of $22,000. Each Unit is comprised of: (i) one promissory note with a par value of $1 thousand, bearing interest at 7.65% per annum with interest payable semi-annually, and (ii) 105 common share purchase warrants. Promissory Notes (B) mature on September 30, 2022 and all or a portion of the outstanding principal can be repaid by Journey without penalty after three years. The Notes are secured by a $22,000 floating charge debenture over all of the Company's assets and are subordinate to any current or future claims under the banking credit facility (Note 6). 2,310 Warrants were issued under this placement and expire on June 1, 2020. The Warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of $2.51 per Warrant.

The fair value of the debt component was determined at the date of issuance to be $20,298 using the effective interest rate method (9.3%). Under this method, the future payments of interest and principal are discounted using a rate of interest that would be reflective of a similar debt instrument, but without the warrant-feature. The difference between the principal amount and the discounted value was allocated to the value of the Warrants. The initial value of the debt will accrete up to the principal amount of the Notes throughout the term of the Notes.

Principal amount of Promissory Notes (B)	**22,000**
Less: value allocated to Warrants	**(1,702)**
Fair value at date of issue on February 1, 2018	**20,298**
Accretion expense	**121**
Unamortized deferred issuance expenses	**(61)**
Promissory Notes (B) June 30, 2018	**20,358**

8. 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, 2018 to be $190,410 (December 31, 2017 - $190,026) the majority of which, will be incurred at various times between 2019 and 2070. The present value of the decommissioning liabilities for the period ended June 30, 2018 was calculated using a risk free rate of 2.2% (December 31, 2017 – 2.2%) and an inflation factor of 2.0% (December 31, 2017 – 2.0%). As at June 30, 2018, no funds have been specifically set aside to settle these obligations, rather the decommissioning obligations will be funded from cash-flow from operations. Changes to decommissioning liabilities during the periods were as follows:

	June 30, 2018	December 31, 2017
Balance, at beginning of period	**175,495**	149,296
Liabilities acquired	**-**	14,244
Revaluation of liabilities acquired[1]	**-**	23,917
Liabilities disposed	**(1,849)**	(5,842)
Incurred on development activities	**694**	1,164
Liabilities settled	**(692)**	(827)
Revisions to estimates	**1,277**	(3,220)
Changes in discount rate	**300**	(6,958)
Accretion	**1,934**	3,721
Balance, at end of period	**177,159**	175,495

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

9. SHARE CAPITAL

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

COMMON SHARES	Number	$
Balance, January 1, 2017	43,703	368,428
Issued on exercise of warrants (note 10)	4,950	15,688
Normal course issuer bid	(1,270)	(9,627)
Issued on asset acquisition	2,076	6,000
Issued for services	185	535
Issued on settlement of PSU's and RSU's	576	2,808
Flow-through shares issued	1,020	2,193
Share issue costs, net of tax	-	(8)
Balance, December 31, 2017	51,240	386,017
Issued on settlement of RSU's	6	24
Share repurchase (i)	(12,700)	(95,674)
Balance, June 30, 2018	**38,546**	**290,367**

i. *Share repurchase*

On February 2, 2018 Journey acquired 12,700 common shares from a significant shareholder for $21,336, representing an average price of $1.68. Concurrently with the closing of the share repurchase, the Toronto Stock Exchange required the Company to terminate its normal course issuer bid for the current year.

10. WARRANTS

	Number	$
Balance, January 1, 2017	4,950	2,076
Exercised	(4,950)	(2,076)
Balance, December 31, 2017	-	-
Issued	2,310	1,702
Balance, June 30, 2018	**2,310**	**1,702**

As part of a private placement of promissory notes (Note 7), 2,310 share purchase warrants were issued to the holder of the notes. The warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of $2.51 per warrant.

11. SHARE BASED COMPENSATION

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

During the period $1,054 (2017 – $1,207) was charged to share based compensation expense for RSU's and PSU's issued.

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

	RSU's	PSU's
Balance at January 1, 2017	1,308	504
Granted	1,593	305
Exercised	(712)	(65)
Forfeited	(95)	(15)
Balance at December 31, 2017	2,094	729
Exercised	(10)	-
Forfeited	(74)	(23)
Balance at June 30, 2018	**2,010**	**706**

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, 2017	2,807	4.58	1,207
Granted	80	2.65	-
Forfeited	(194)	6.44	(123)
Balance at December 31, 2017	2,693	4.39	1,693
Forfeited	(83)	3.91	(52)
Cancelled	(412)	5.26	(412)
Balance at June 30, 2018	**2,198**	**4.24**	**1,558**

On April 30, 2018 holders of 412 stock options with a strike price of $5.26 voluntarily surrendered their options for cancellation. The surrender had no impact on the consolidated statement of comprehensive loss as the associated share based compensation expense had been fully recognized.

For the period ended June 30, 2018 nil (June 30, 2017 – 60) stock options were granted to employees. During the period ended June 30, 2018, $200 (June 30, 2017 - $191) was recorded as share based compensation expense related to the stock options previously issued.

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, 2017	151	6.00	3.78
Forfeited	(1)	6.00	3.78
Balance at December 31, 2017	150	6.00	3.78
Forfeited	(3)	6.00	3.78
Balance at June 30, 2018	**147**	**6.00**	**3.78**

All of the series A performance warrants were exercisable at June 30, 2018 and June 30, 2017.

Series B	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2017	298	7.00	3.46
Forfeited	(2)	7.00	3.46
Balance at December 31, 2017	296	7.00	3.46
Forfeited	(7)	7.00	3.46
Balance at June 30, 2018	**289**	**7.00**	**3.46**

All of the series B performance warrants were exercisable at June 30, 2018 and June 30, 2017.

Series C	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2017	339	11.06	5.25
Forfeited	(147)	10.47	5.40
Balance at December 31, 2017 and June 30, 2018	**192**	**11.48**	**5.14**

64 of the series C performance warrants were exercisable at June 30, 2018 (June 30, 2017 – 82).

For the period ended June 30, 2018 nil (June 30, 2017 - $3) was charged to share based compensation expense for the 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, 2017, December 31, 2017 and June 30, 2018	**975**	**6.98**	**2.16**

All of the share purchase warrants were exercisable at June 30, 2018 and June 30, 2017.

During the period ended June 30, 2018 $183 (June 30, 2017 - $260) of share-based compensation expense was capitalized with respect to grants to technical personnel for RSU's, PSU's and stock options. On July 1, 2018 622 performance warrants, 975 share purchase warrants and 678 stock options expired.

12. FINANCE EXPENSES

	Three months ended	June 30,	Six months ended	June 30,
	2018	2017	**2018**	2017
Interest and bank charges	**2,072**	1,239	**3,985**	2,440
Accretion of decommissioning liabilities	**973**	951	**1,934**	1,766
Accretion of promissory notes	**193**	109	**359**	216
Finance expenses	**3,238**	2,299	**6,278**	4,422

13. DEFERRED INCOME 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, 2018 and 2017 are accounted for as follows:

	Three months ended	June 30.	Six months ended	June 30,
	2018	2017	**2018**	2017
Net (loss) income before taxes	**(12,324)**	11,310	**(21,468)**	16,890
Expected income taxes, at the statutory rate of 27.0% (2017 – 27.0%)	**(3,328)**	3,053	**(5,797)**	4,560
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	**143**	266	**303**	389
Accretion expense	**52**	29	**97**	58
Non-deductible items	**1**	3	**4**	4
Deferred tax asset not recognized	**3,132**	-	**5,393**	-
Deferred income tax expense (recovery)	**-**	3,351	**-**	5,011

As at June 30, 2018 it was determined by Management that it was more likely than not that all of the deferred tax asset created in 2018 would not be recognized.

14. PER SHARE AMOUNTS

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net (loss) income	**(12,324)**	7,959	**(21,468)**	11,879
Weighted average shares outstanding - basic	**38,546**	50,212	**40,860**	47,769
Weighted average shares outstanding - diluted	**38,546**	50,782	**40,860**	48,561
Net (loss) income per share – basic	**$ (0.32)**	$ 0.16	**$ (0.53)**	$ 0.25
Net (loss) income per share – diluted	**$ (0.32)**	$ 0.16	**$ (0.53)**	$ 0.24

The net (loss) income per basic share is calculated by dividing the net (loss) income by the weighted average number of common shares outstanding during the respective periods. Excluded from the diluted number of shares for the six month period ended June 30, 2018 is 656 weighted average common shares and 883 weighted average common shares for the three month period ended June 30, 2018 as to include them would be anti-dilutive. For the six month period ended June 30, 2017 the dilutive impact of RSU's, PSU's and stock options was an additional 792 weighted average common shares and 570 weighted average common shares for the three month period ended June 30, 2017.

15. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

Classification and measurement	**June 30, 2018 Carrying value**	**June 30, 2018 Estimated fair value**	December 31, 2017 Carrying value	December 31, 2017 Estimated fair value
Amortized cost				
Cash	**68**	**68**	8,227	8,227
Accounts receivable	**14,042**	**14,042**	16,111	16,111
Accounts payable and accrued liabilities	**(29,853)**	**(29,853)**	(28,290)	(28,290)
Promissory notes	**(49,007)**	**(52,000)**	(28,398)	(30,000)
Bank debt	**(66,000)**	**(66,000)**	(70,000)	(70,000)
Fair value through profit or loss				
Derivative contracts – current asset	**604**	**604**	2,308	2,308
Derivative contracts – current liability	**(15,858)**	**(15,858)**	(4,449)	(4,449)
Derivative contracts – non-current liability	**(1,284)**	**(1,284)**	(16)	(16)

The fair value of bank debt and promissory notes are based upon level 2 inputs. The fair value of these items approximates the carrying value as they bear interest at a 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	1,500	WTI NYMEX	$69.50	January 2, 2018 to December 31, 2018	(6,391)
Swap	1,000	WTI NYMEX	$72.25	April 1, 2018 to September 30, 2018	(2,059)
Swap	1,000	WTI NYMEX	$71.00	October 1, 2018 to March 31, 2019	(3,344)
Swap	500	WTI NYMEX	$76.00	July 1, 2018 to September 30, 2018	(857)
Swap	1,000	WTI NYMEX	$71.50	April 1, 2019 to June 30, 2019	(1,314)
Swap	500	WTI NYMEX	$74.00	October 1, 2018 to March 31, 2019	(1,404)
Collar	500	WTI NYMEX	$70.00-$77.00	April 1, 2019 to March 31, 2020	(1,567)
Collar	500	WTI NYMEX	$77.00-$84.15	July 1. 2019 to December 31, 2019	(206)
Total oil derivative contracts fair value					**(17,142)**

Natural Gas contracts	Volume GJ's/d	Pricing point	Strike price per GJ (CDN)	Term	Fair value
Swap	2,500	AECO 7a	$2.45	July 1, 2018 to September 30, 2018	233
Swap	2,500	AECO 7a	$2.62	October 1, 2018 to December 31, 2018	190
Swap	1,000	AECO 7a	$2.54	July 1, 2018 to September 30, 2018	101
Swap	1,000	AECO 7a	$2.66	October 1, 2018 to December 31, 2018	80
Total gas derivative contracts fair value					**604**
Total derivative contracts fair value					**(16,538)**

A 10% increase or decrease in the respective commodity prices would have impacted the annual pre-tax net income by the following amounts at June 30, 2018:

Commodity	10% increase	10% decrease
Oil	(7,216)	7,216
Natural gas	(103)	103
Total	(7,319)	7,319

The loss (gain) on derivative contracts for the periods ended June 30, 2018 and 2017 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Realized	**3,976**	293	**6,081**	1,471
Unrealized	**8,298**	(7,999)	**14,381**	(16,736)
	12,274	(7,706)	**20,462**	(15,265)

(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 relates to.

	2018	2017
Cash	**68**	8,227
Accounts receivable	**14,042**	16,111
Derivative contracts	**604**	2,308
Total	**14,714**	26,646

For the period ended June 30, 2018, Journey determined that $453 (2017 - $249) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At June 30, 2018 Journey assessed its provision for uncollectable accounts and increased it to $576 (2017 - $318). Accounts receivable balances outstanding greater than ninety days at June 30, 2018 was $1,610 (2017 – $1,443).

(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, 2018 would result in a $660 change to annual pre-tax 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 currently available capacity on the Company's credit facility is assessed by Management to be sufficient to ensure obligations will be met as they come due.

The following table details Journey's financial liabilities as at June 30, 2018:

	< 1year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	29,853	-	-	29,853
Derivative contracts	15,858	1,284	-	17,142
Bank Debt - principal	66,000	-	-	66,000
Promissory notes - principal	-	-	52,000	52,000
Interest on bank debt	2,191	-	-	2,191
Interest on promissory notes	3,978	3,986	4,561	12,525
	117,880	**5,270**	**56,561**	**179,711**

16. SUPPLEMENTAL INFORMATION

a) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
Sources (uses) of funds	**2018**	2017	**2018**	2017
Accounts receivable	**(723)**	(1,719)	**2,069**	(2,275)
Prepaid expenses and deposits	**(1,685)**	(26)	**(2,175)**	(2,304)
Deferred financing charge	**(106)**	(228)	**(74)**	(249)
Deferred lease obligation	**(16)**	(16)	**(31)**	(31)
Accounts payable and accrued liabilities	**1,143**	(4,951)	**1,563**	(4,985)
	(1,387)	(6,940)	**1,352**	(9,444)
Relating to:				
Operating activities	**(5,189)**	(3,892)	**(282)**	(6,399)
Financing activities	**(106)**	(228)	**(74)**	(249)
Investing activities	**3,908**	(2,820)	**1,708**	(2,796)
	(1,387)	(6,940)	**1,352**	(9,444)

b) *Supplementary cash flow information*

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Interest paid	**940**	1,274	**2,055**	1,854

c) Revenue

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Crude oil	**25,257**	19,533	**45,867**	38,764
Natural gas	**3,239**	8,124	**8,731**	14,644
Natural gas liquids	**3,189**	1,956	**6,021**	2,895
Petroleum and natural gas sales	**31,685**	29,613	**60,619**	56,303

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

17. 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	2018	2019 - 2020	2021 - 2022	Thereafter
Natural gas transportation	**1,161**	366	691	104	-
Operating leases	**10,739**	971	3,821	3,756	2,191
Total	**11,900**	1,337	4,512	3,860	2,191

18. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt, promissory notes 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) to meet its financial obligations as they come due; 2) to finance its internally generated capital program; and 3) to maintain financial flexibility to be able 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. 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.

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. 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. As at June 30, 2018 the net debt is higher than the desired operating level due to the additional term debt of $22,000 from January of 2018, which was used to finance the repurchase of 12,700 common shares. This additional leverage has resulted in the Company altering its planned capital expenditures for 2018 and 2019 to allow the net debt to funds flow ratio to move closer to the desired level.

19. PRIOR YEAR COMPARATIVE NUMBERS

Processing revenue, previously netted with operating expenses in 2017, has been reclassified to the revenue section of the Financial Statements to conform to the current disclosure in 2018.