MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on May 8, 2017 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three month periods ended March 31, 2017 and 2016. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2017 and 2016 along with the notes related thereto.

Additional information on the unaudited interim condensed consolidated financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in Management's Report to shareholders included with the financial statements. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Journey prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward-Looking Information

This MD&A contains forward-looking statements. More particularly, this MD&A contains statements concerning anticipated: (i) timing and completion of the acquisitions, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the acquisitions, (ii) potential development opportunities and drilling locations associated with the acquisitions, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the acquisitions, (iii) oil and natural gas production growth during 2016 (iv) debt and bank facilities, (v) capital expenditures, (vi) primary and secondary recovery potentials and implementation thereof, (vii) decline rates, (viii) funds from operations, (ix) operating and funds flow netbacks, (x) operating expenses, (xi) general and administrative expenses, and (xii) realization of anticipated benefits of acquisitions.

The forward-looking statements are based on certain key expectations and assumptions made by Journey, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, funds flow and capital expenditures, the application of regulatory and royalty regimes, prevailing commodity prices and economic conditions, development and completion activities, the performance of new wells, the successful implementation of waterflood programs, the availability of and performance of facilities and pipelines, the geological characteristics of Journey's properties, the successful application of drilling, completion and seismic technology, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labour and services, and the creditworthiness of industry partners.

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited

to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in this MD&A under the heading 'Risk Factors'.

The following table outlines Journey's updated forward-looking information included in, and as of the date of this MD&A and has been updated from previous forward-looking information. The disclosure below is intended to provide the reader with the key assumptions that the forward looking information is based upon and the relevant risk factors that would be considered key in preventing Journey from achieving these results. This table also represents Journey's outlook for the balance of 2017:

Forward-Looking Information	Key Assumptions	Relevant Risk Factors
Production for 2017 of between 10,100 and 10,500 Boe/d	Completion of the budgeted drilling program and no significant 3rd party facility or pipeline outages.	Well performance; 3rd party outages.
2017 funds flow from operations of $43 - $46 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD $50/bbl WTI; AECO natural gas prices of $2.90/mcf; and using an average US/CAN exchange rate of $0.75	WTI oil prices; Edmonton par differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
2017 exploration and development capital spending program of $35 million plus $33 million of net acquisitions	E&D program will focus mainly on drilling 13-14 net wells, waterflood projects and exploitation projects. A&D expenditures are only those completed as of this date.	Achieving the projected funds flow from operations; maintaining the existing banking credit facility
Net debt of between $92 - $97 million	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Operating and transportation costs per BOE in the mid-$12 range	Achieving projected production volumes; no significant changes to cost structures	Projected production volumes not achieved; third party oil processing capacities; operating cost increases due to inflation and/or improvement in industry conditions
Cash interest costs of between $1.20- $1.25/BOE	Bank prime rates and renewal fees remaining at current levels. No significant inflation above current levels	Bank prime rate increases beyond small increments
General & administrative costs in the mid-$2/BOE range (net of capitalized G&A and recoveries)	No significant changes to currently projected activity levels	G&A is fairly predictable as they are mainly fixed costs such as rent and salaries
Income taxes – no current income tax is projected to be payable for 2017	Journey has an unutilized tax pool position of approximately $651 million	Potential tax law changes; significant and sustained increase in commodity prices

Non-GAAP Measures

This MD&A uses the term “netbacks”, which is a term not recognized under General Accepted Accounting Principles (“GAAP”). The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions.

Management considers corporate netbacks as a key performance measure as it demonstrates the Company’s profitability relative to current commodity prices. They are also used by Management in operational and capital allocation decision. Netbacks are comprised of operating, funds flow and net earnings (loss) netbacks. Operating netback is calculated as the average sales price of Journey’s commodities (excluding financial hedging gains and losses) sold less royalties, transportation costs and operating expenses. Funds flow netback starts with the operating netback and deducts general and administrative costs, interest expense and then adds or deducts any realized gains or losses on derivative contracts. To calculate the net earnings(loss) netback, Journey takes the funds flow netback and deducts all non-cash expenses including: unrealized gains/losses on derivative contracts, share-based compensation expense, depletion, depreciation, accretion, loss (gain) on dispositions, impairments, exploration and evaluation expenses and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

Additional GAAP Measures

In this MD&A, we refer to additional GAAP financial measures that do not have any standardized meaning as prescribed by GAAP. Additional GAAP financial measures are line items, headings or subtotals in addition to those required under GAAP, and financial measures disclosed in the notes to the audited consolidated financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that additional GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities.

Additional GAAP financial measures include funds flow from operations and net debt.

The Company considers funds flow from operations (also referred to as “funds flow”) a key performance measure as it demonstrates the Company’s ability to generate funds necessary to repay debt and to fund future growth through capital investment. Journey’s determination of funds flow from operations may not be comparable to that reported by other companies. The reconciliation between cash from operating activities and funds flow from operations can be found in the table below. Journey also presents funds flow per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited consolidated financial statements.

Funds flow is calculated as funds flow from operating activities before changes in non-cash working capital; transaction costs; and decommissioning costs. Funds flow per share is calculated as funds flow divided by the weighted-average number of shares outstanding in the period. Because funds flow and funds flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of operational performance than cash from operating activities. In addition, Journey excludes transaction costs from the definition of funds flow as these expenses are generally in respect of capital acquisition transactions and are non-recurring.

A reconciliation of funds flow to the GAAP measured funds flow from operating activities is presented in the following table:

	Three months ended March 31,	
	2017	2016
Funds flow provided by operating activities	**3,794**	3,245
Add:		
Changes in non-cash working capital	**2,534**	(10)
Decommissioning costs incurred	**418**	94
Funds flow from operations	**6,746**	3,329

Net debt is used to assess efficiency, liquidity and general financial strength. Net debt as at the end of each period end is as follows:

	March 31, 2017	December 31, 2016	% Change
Bank debt, plus bank indebtedness, less cash in bank	**43,862**	50,879	(14)
Principal amount of promissory notes	**30,000**	30,000	-
Accounts receivable	**(14,611)**	(14,055)	4
Prepaid expenses	**(3,892)**	(1,614)	141
Accounts payable and accrued liabilities	**21,622**	21,256	2
Deferred lease obligations	**435**	450	(3)
Net debt	**77,416**	86,916	(11)

Abbreviations and BOE Advisory

bbl	*barrel*
bbls	*barrels*
boe	*barrels of oil equivalent*
boe/d	*barrels of oil equivalent per day*
gj	*gigajoules*
Mbbls	*Thousand barrels*
MMBtu	*Million British thermal units*
NGL's	*Natural gas liquids*
Mcf	*thousand cubic feet*
Mmcf	*Million cubic feet*
Mmcf/d	*Million cubic feet per day*
Mboe	*Thousand boe*

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet ("Mcf") to one (1) barrel. Use of the term "boe" may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel ("Bbl") of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

Amounts

All dollar amounts quoted are in thousands of Canadian dollars unless otherwise noted. All share data is quoted in thousands of shares, except per share data or as specifically otherwise noted.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2017

Financial

Journey recorded funds flow of $6,746 in the first quarter of 2017. This translated into $0.15 per share basic and diluted share for the three months ended March 31. Net earnings were $3,920 ($0.09 per basic and diluted share) for the quarter. The Company spent $10,415 on its capital program in 2017 and exited the quarter with net debt of $77,416.

Capital spending

During the first quarter, Journey drilled 4 (3.0 net) successful oil wells. Two wells were drilled in Skiff and two in Brooks. In addition, $2,760 was spent on acquiring additional working interests in the Crystal area which also included approximately 100 Boe/d (75% liquids) of production, as well as a swap which included the disposition of 30 boe/d (100% gas) for strategic undeveloped land.

Production

Production increased 6% in the first quarter as compared to the fourth quarter of 2016. Production averaged 9,027 boe/d in the first quarter of 2017 as compared to 8,505 in the fourth quarter of 2016. The increased production came from successful drilling in both the fourth quarter of 2016 and the first quarter of 2017, as well as the 100 boe/d acquisition in January of the first quarter.

Outlook

For 2017, our guidance for average production is projected to be between 10,100 and 10,500 Boe/d. This guidance includes the impact of the Sylvan Lake disposition of approximately 187 boe/d and the acquisition of approximately 2,000 boe/d in the Gilby and Niton areas, both of which closed on April 28. For the balance of the year, operating and transportation costs are expected to average in the mid-$12 per BOE range with funds flow from operations anticipated to range between $43 and $46 million. Exploration and development capital expenditures are still projected to be approximately $35 million for the year, while net acquisition capital is now at $33 million.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Aggregate production volumes decreased by 6% during the first quarter of 2017 to 812,473 BOE as compared to 867,536 BOE for the first quarter in 2016. The decrease was the primarily the result of dispositions in the third quarter of 2016, a reduced drilling program in the previous six months and natural declines. For the three months ended March 31, 2017, natural gas production contributed 53% (2016 – 45%) of total volumes, with crude oil at 44% (2016 – 48%), and natural gas liquids at 4% (2016 – 7%). Journey expects liquid (oil and NGL's) volumes to remain at approximately 45% of total volumes for the remainder of 2017.

Aggregate Sales Volumes

	Three months ended March 31,		
	2017	2016	% Change
Natural gas (Mcf)	**2,572,713**	2,341,333	10
Crude oil (Bbl)	**354,338**	415,236	(15)
Natural gas liquids (Bbl)	**29,349**	62,079	(53)
Barrels of oil equivalent (BOE)	**812,473**	867,536	(6)

Volumetric Product Mix

	Three months ended March 31,		
% of Aggregate Production	**2017**	2016	% Change
Natural gas	**53**	45	18
Crude oil	**44**	48	(8)
Natural gas liquids	**3**	7	(57)
Total	**100**	100	

Daily Sales Volumes

Daily sales volumes decreased 5% to 9,027 Boe/d for the first quarter of 2017 from 9,533 Boe/d in 2016. This decrease is largely attributable to the dispositions throughout 2016 but the full effect of the ones completed in the third quarter will be realized in 2017. The decrease in NGL volumes of 52% was mainly due to the disposition of liquids rich natural gas production disposed of in August of last year. In addition lower capital spending in 2016 resulted in Journey not completely replacing the production lost from natural well declines or the dispositions.

	Three months ended March 31,		
	2017	2016	% Change
Natural gas (Mcf/d)	**28,586**	25,729	11
Crude oil (Bbl/d)	**3,937**	4,563	(14)
Natural gas liquids (Bbl/d)	**326**	682	(52)
Barrels of oil equivalent (Boe/d)	**9,027**	9,533	(5)

Benchmark Indices

	Three months ended March 31,		
	2017	2016	% Change
Crude Oil			
WTI (US$/Bbl)	**51.90**	33.45	55
Canadian light (CDN$/Bbl)	**64.74**	41.22	57
Natural Gas			
NYMEX (US $/Mmbtu)	**3.06**	1.99	54
AECO - Daily (CDN$/Mcf)	**2.69**	1.83	47
Foreign Exchange			
Canadian to US dollar	**0.756**	0.728	4
US to Canadian dollar	**1.323**	1.375	(4)

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports; supplies in western Alberta; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 47% higher in the first quarter of 2017 as compared to the same period in 2016. This was combined with an increase of 55% for WTI prices over the same comparable periods. The Canadian dollar was relatively stable with a 4% appreciation but Edmonton par prices were still 57% in 2017 as compared to 2016. The differentials between WTI and Edmonton par have varied in the mid-$3 to $4 CDN per barrel range during the first quarter. For the balance of 2017, Management expects the CAD$ to remain in the $0.75 CDN/US range. Oil prices have shown strength early in 2017 on the back of a new OPEC production agreement but have recently fallen off to the $48 WTI range. Journey is expecting oil to average in the low-$50 range based on current trading patterns and the Company has used a $52 WTI for its initial 2017 forecast. Gas prices are expected to adjust seasonally but remain in the $2.70 to $2.90 per mcf CDN AECO range in recent months.

Commodity prices realized by Journey were as follows:

	Three months ended March 31,		
Realized Commodity Prices	**2017**	2016	% Change
Natural gas ($/Mcf)	**2.52**	1.72	47
Crude oil ($/Bbl)	**54.27**	30.91	76
Natural gas liquids ($/Bbl)	**32.01**	19.09	68
Corporate	**32.85**	20.81	58

For the three months ended March 31, 2017, average realized commodity prices increased by 58% as compared to the first quarter in 2016. The largest increase was in realized oil prices, which rose by 76% in the first quarter of 2017 as compared to the same quarter in 2016. Journey's realized natural gas prices increased by 47% in the first quarter of 2017 compared to 2016, with natural gas liquids prices also increasing by 68% for the same comparable period. Natural gas storage injections numbers remain higher than normal in North America which has led to natural gas prices continuing to soften in the early part 2017.

RISK MANAGEMENT ACTIVITIES

At March 31, 2017, the Company had the following derivative contracts:

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term	Fair value
Swap	1,000	WTI NYMEX	CDN$60.00	January 1, 2017 to December 31, 2017	(2,359)
3 way Collar	1,000	WTI NYMEX	CDN $39.50/ 60.00/$65.00	October 1, 2016 to March 31, 2018	(1,847)

Gas contracts	Volume GJ's/d	Pricing point	Strike price per GJ	Term	Fair value
Collar	5,000	AECO 7A	CDN$2.40-2.85	November 1, 2016 to March 31,2018	(246)
Swap	5,000	AECO 7A	CDN$3.00	January 1, 2017 to December 31, 2017	451

The change in the value of these contracts for the first quarter resulted in a realized loss of $1,178 and an unrealized gain of $8,737. The realized loss was mainly attributable to oil prices rising above the hedged floor amounts. At March 31, 2017 the estimated net fair value of all derivative contracts is a liability of $4,001.

The loss (gain) on derivative contracts for the three months ended March 31, are as follows:

	Three months ended March 31,	
	2017	2016
Realized	**1,178**	(2,825)
Unrealized	**(8,737)**	1,146
Total	**(7,559)**	(1,679)

The fair value of Journey's unrealized commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data. The fair value of financial derivatives are recurring measurements and are determined using third-party models and valuation methodologies that utilize observable market data, including forward commodity prices and interest rates to estimate the current fair value of financial derivatives. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels are as follows:

a) Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

b) Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the marketplace from sources such as New York Mercantile exchange or the Natural Gas Exchange.

c) Level 3 – inputs are less observable, unavailable or where the observable data does not support the majority of the instruments fair value.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby protect funds flows, which are used to fund both our capital program. These risks can be mitigated by entering into derivative contracts for oil, natural gas and foreign exchange. The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favour.

PETROLEUM AND NATURAL GAS ("P&NG") SALES

For the three months ended March 31, aggregate P&NG sales increased by 48% to $26,690 in 2017 from $18,055 in 2016. Much of this increase was attributable to the 58% increase in realized commodity prices despite a 6% decrease in production volumes. 76% of Journey's revenue comes from liquids production in the first quarter of 2017 as compared to 78% in 2016. Journey continues to emphasize its increase in liquids production and for the balance of 2017; it is expected to remain comparable to that experienced in the first quarter.

	Three months ended March 31,		
P&NG Sales ($)	**2017**	2016	% Change
Natural gas	**6,493**	4,036	61
Crude oil	**19,231**	12,834	50
Natural gas liquids	**940**	1,185	(21)
Physical gas hedging gain	**27**	-	-
Total	**26,690**	18,055	48

The contribution of each product to total P&NG sales is as follows:

P&NG Sales (% Contribution)	Three months ended March 31, **2017**	2016	% Change
Natural gas	**24**	22	9
Crude oil	**72**	71	1
Natural gas liquids	**4**	7	(43)
Total	**100**	100	

ROYALTIES

For the three months ended March 31, royalties were $3,104 in 2017 as compared to $2,227 for the same period in 2016. On a per BOE basis, the royalty rate increased 49% to $3.82 in 2017 as compared to $2.57 from last year. As a percentage of revenue, the rate for the first quarter of 2017 was 11.6% or 6% lower than the 12.3% realized in 2016. The royalty rate as a percentage of revenue is consistent at around the 12% level. Despite average commodity prices being 58% higher, the wells have declined in productivity, which has an offsetting impact on the royalty rates. Journey is projecting a corporate royalty rate of approximately 12% for the balance of 2017 based on Journey's internal forecast of oil prices and anticipated productivity of its wells.

	Three months ended March 31, **2017**	2016	% Change
Crown	**1,308**	826	58
Freehold/gross over-riding	**1,796**	1,401	28
Total royalties	**3,104**	2,227	39
Royalties (% of P&NG sales)	**11.6**	12.3	(6)

$ / BOE	Three months ended March 31, **2017**	2016	% Change
Crown	**1.61**	0.95	69
Freehold/gross over-riding	**2.21**	1.61	37
Total	**3.82**	2.57	49

OPERATING

For the three months ended March 31, operating costs were $11,170 or $13.75 per boe in 2017 as compared to $10,142, or $11.69 per boe in 2016. For the comparative periods, aggregate operating costs decreased by 9% which is partially explained by while production volumes decreasing by 6%. In addition, processing revenues decreased by 83% from quarter to quarter and this decrease in third party revenue caused the net operating expense to increase by 10% in 2017. The other cause for the increase was a $1.1 million increase in workover costs during the first quarter. Numerous projects were undertaken during the quarter with the goal of restoring or maintaining production. The production gains from these workovers will be realized throughout the balance of 2017. For the remainder of 2017, Journey expects the per BOE rate to average in the mid $12.00 range.

	Three months ended March 31,		
	2017	2016	% Change
Gross operating expense	**11,635**	12,824	(9)
Less: expense recoveries	**(465)**	(2,682)	(83)
Operating expense per financial statements	**11,170**	10,142	10
Expense ($ per BOE)	**13.75**	11.69	18
Expense (as a % of P&NG sales)	**41.8**	56.2	(26)

TRANSPORTATION

Transportation expenses were $360 for the three months ended March 31, 2017, or 1.3% of production revenue as compared to $344 and 1.9% for 2016. Transportation costs per boe averaged $0.44 for the first quarter in 2017, or 10% higher than the same period in 2016. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended March 31,		
	2017	2016	% Change
Transportation expense	**360**	**344**	5
Expense ($ per BOE)	**0.44**	**0.40**	10
Expense (% of P&NG sales)	**1.3**	**1.9**	(32)

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the quarter, net G&A expense after recoveries, decreased 24% to $2,931 in 2017 from $3,862 in 2016. Gross G&A expense decreased 20% from $4,558 in 2016 to $3,644 for the comparable three month period in 2017. The decrease in gross G&A expense was largely due staff reductions that took place late in 2015 and into 2016. On a per BOE basis, Journey realized net G&A of $3.61 for the first quarter of 2017, or 19% lower than the $4.45 for 2016. During the first quarter of 2017 Journey incurred non-recurring severance costs of $310 or $0.38/BOE in its continued efforts to reduce operating costs. On a per BOE basis, net G&A for 2017 is expected to be in the low-$3.00 range for the balance of 2017 bringing the average per BOE cost for 2017 to the mid-$3.00 range, excluding the non-recurring severance costs. The additional volumes associated with the acquisition of 2,000 boe/d in April will help reduce the per boe costs as no incremental staff will be added with the purchase.

	Three months ended March 31,		
	2017	2016	% Change
Gross expense	**3,644**	4,558	(20)
Less:			
Overhead recoveries	**(450)**	(459)	(2)
Capitalized G&A	**(263)**	(237)	11
Net expense per financial statements	**2,931**	3,862	(24)
Expense ($ per boe)			
Gross expense	**4.48**	5.25	(15)
Net expense	**3.61**	4.45	(19)

FINANCE EXPENSES

Net finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion on the term debt, and bank charges. Interest expense and bank fees for the first quarter of 2017 increased 19% to $1,147 from $966 in 2016. For the first quarter of 2017, the average interest bearing debt outstanding was $82,423 which was a 12% decrease from $94,005 for the comparable period in 2016. For the quarter, the average effective interest rate on outstanding borrowings increased by 34% to 5.6% in 2017 from 4.2% in 2016. On a per BOE basis, the cash finance expense was $1.41 for 2017 as compared to $1.11 for 2016, representing a 27% increase, period over period. The increase in interest expense and the effective interest rate in the first quarter of 2017 were mainly due to the issuance of $30,000 in term debt on October 6, 2016 which bears fixed-rate interest of 7.65% per annum. The per boe rate increased as interest expense was higher due to the increased borrowing costs but also lower production volumes due to asset sales and declines throughout the year.

For 2017, Journey expects the average interest bearing debt outstanding to increase concurrently with the closing of the $35.6 million acquisition and the $5.0 million disposition both on April 28. However, the interest cost per boe will drop because of the added production starting in May. Journey expects the per boe rate to be in the $1.15/boe range for the balance of the year.

	Three months ended March 31,		
	2017	2016	% Change
Expense per financial statements	**2,123**	1,783	19
Add/(Deduct):			
Accretion expense	**(923)**	(807)	14
Bank fees and other charges	**(54)**	(10)	440
Cash finance expense	**1,147**	966	19
Average bank debt outstanding	**82,423**	94,005	(12)
Average interest rate (%)	**5.6**	4.1	37
Cash finance expense ($ per boe)	**1.41**	1.11	27
Expense per financial statements ($ per boe)	**2.61**	2.04	28

SHARE BASED COMPENSATION

Share based compensation expense was $436 for the first quarter of 2017 as compared to $724 in 2016. The lower stock based compensation was attributable to the combination of a lower staff count due to layoffs in 2015 and 2016 as well as older stock option grants being fully amortized. During the quarter, the Company capitalized

$86 of share based compensation expense as compared to $105 for the same period in 2016. The capitalization is attributable to technical staffs, who are directly related to exploration and development activities. The fair value of all share based compensation was estimated based on the date of issuance using a Black Scholes pricing model and is amortized over the vesting period. The expense was lower in 2017 as a result of forfeitures due to staff reductions as well as certain of the long term incentives reaching their vesting term.

	Three months ended March 31,		
	2017	2016	% Change
Expense per financial statements	**436**	724	(40)
Expense ($ per boe)	**0.54**	0.83	(35)

DEPLETION AND DEPRECIATION ("D&D")

For the three months ending March 31, aggregate D&D increased 3% from $7,524 in 2016 to $7,773 in 2017. The depletion rates are consistent from quarter to quarter even though in the fourth quarter of 2016 there were net impairment reversals of $79,372. This was the result of impairments in the third quarter of 2016 being offset with the impairment reversals such that in the end the first quarter depletion rates remained consistent with each other. On a per BOE basis, D&D was $9.57 in 2017, a 10% increase from $8.67 in 2016.

	Three months ended March 31,		
	2017	2016	% Change
Depletion and depreciation ($)	**7,773**	7,524	3
Expense ($ per boe)	**9.57**	8.67	10

DEFERRED TAXES

For the three months ended March 31, 2017 the deferred income tax recovery was $1,660, as compared to a recovery of $1,606 in the same period in 2016. On a per BOE basis, the recovery decreased 210% to $2.04 from $1.85 in 2016. The change, period over period, was primarily the result of a reversal of the loss in 2016 to net earnings as well as a decrease in non-deductible share-based compensation expense.

	Three months ended March 31,		
	2017	2016	% Change
Deferred tax recovery	**1,660**	**(1,606)**	(203)
Expense ($ / BOE)	**2.04**	**(1.85)**	(210)

LOSS ON DISPOSITION OF ASSETS

During the three months ended March 31, 2017 Journey sold producing properties in the Gilby area in a swap transaction for undeveloped lands. The disposition resulted in the following loss:

	Three months ended March 31,		
	2017	2016	% Change
Loss on disposition	**658**	-	-
$ per BOE	**0.81**	-	-

NETBACKS

For the three months ended March 31, 2017 the operating netback was $14.84 per BOE which was a 141% increase from $6.15 per BOE in 2016. The 58% increase in realized commodity prices was more than enough to offset the increases in royalty, operating and transportation expenses of 49%, 18% and 10% respectively. For the quarter, G&A expenses were lower by 19% on a BOE basis and cash finance expenses increased 32% over the comparative first quarters. Realized hedging losses of $1.45 per BOE were a 144% change from the $3.26 per BOE gain in 2016. For the three months ended March 31, the funds flow netback increased 116% from $3.84 in 2016 to $8.31 in 2017. In the non-cash expense section, Journey had significant positive results from the unrealized gain on hedging ($10.75/BOE). The deferred tax expense was 210% higher at $2.04 per BOE in 2017 compared to a recovery in 2016 of $1.85 per BOE. The end result was a 178% improvement in corporate netbacks to $4.82 per BOE of net earnings versus a loss in 2016 of $6.20 per BOE.

	Three months ended March 31,		
($ per BOE)	**2017**	2016	% Change
Realized price	**32.85**	20.81	58
Royalties	**(3.82)**	(2.57)	49
Operating expenses	**(13.75)**	(11.69)	18
Transportation expenses	**(0.44)**	(0.40)	10
Operating	**14.84**	6.15	141
General and administrative	**(3.61)**	(4.45)	(19)
Finance expense - interest	**(1.47)**	(1.12)	31
Realized gain (loss) on derivative contracts	**(1.45)**	3.26	(144)
Funds flow	**8.30**	3.84	116
Transaction costs	**(0.01)**	-	-
Unrealized loss on derivative contracts	**10.75**	(1.32)	(914)
Share based compensation	**(1.14)**	(0.83)	37
Depletion and depreciation	**(9.57)**	(8.67)	10
Finance expense - Accretion	**(1.14)**	(0.93)	23
Gain on dispositions	**(0.81)**	-	-
Exploration & evaluation expense	**(0.14)**	(0.14)	-
Deferred tax recovery	**(2.04)**	1.85	(210)
Net income (loss)	**4.81**	(6.20)	(178)

FUNDS FLOW AND NET LOSS

The net earnings for the first quarter were $3,920 as compared to the net loss of $5,390 in 2016. Journey realized net earnings of $0.09 per weighted basic and diluted share as compared to a loss of $0.12 per weighted basic and per weighted diluted share for 2016.

For the three months ended March 31, funds flow from operations increased 103% from $3,329 in 2016 to $6,746 in 2017. The increase was largely attributable, period over period, to a 58% decrease of realized commodity prices. For the three months ended March 31, funds flow per weighted share in 2017 was $0.15 per basic and diluted share. Comparatively, funds flow per weighted share in 2016 was $0.08 per basic and diluted share.

Per share data	Three months ended March 31, 2017	2016	% Change
Net earnings (loss)	**3,920**	**(5,390)**	(173)
Basic ($/share)	**0.09**	**(0.12)**	(175)
Diluted ($/share)	**0.09**	**(0.12)**	(175)
Funds flow	**6,746**	**3,329**	103
Basic ($/share)	**0.15**	**0.08**	88
Diluted ($/share)	**0.15**	**0.08**	88

CAPITAL EXPENDITURES

For the first three months of 2017, $7,555 was spent on capital expenditures (before acquisitions/dispositions), an increase of 145% over $3,089 spent in the same quarter of 2016. Included in the first quarter 2017 program was the drilling of 4 (3.0 net) wells as compared to 1 (1.0 net) wells in 2016. The acquisition and divestment capital is mainly comprised of a 100 boe/d (75% liquids) acquisition in January for $2,787, with the balance relating to a minor asset swap. Journey plans on spending $35 million in its exploration and development program for 2017. In addition, Journey has a net amount of $33 million in its acquisition and divestiture program for the year. This amount reflects the net acquisitions and divestitures to March 31 and nothing further is currently budgeted, but as opportunities arise, Journey makes room in its capital budget for these expenditures by deferring portions of its drilling program as needed. A breakdown of the net capital additions for the respective quarters is as follows:

	Three months ended March 31, 2017	2016	% Change
Cash expenditures:			
Land and lease rentals	**129**	100	29
Geological and geophysical	**8**	3	167
Drilling and completions	**5,384**	1,422	279
Well equipment and facilities	**1,772**	1,327	34
Capitalized general and administrative	**263**	237	11
Exploration and development expenditures	**7,556**	3,089	145
Other expenditures	**72**	2	3,600
Total capital expenditures	**7,628**	3,091	147
PP&E acquisitions	**2,628**	619	325
PP&E dispositions	**(105)**	-	-
E&E acquisitions/dispositions	**264**	9	2,833
Net cash capital expenditures	**10,415**	3,719	180
Other-cash expenditures:			
Decommissioning expenditures	**418**	94	345
Total cash capital expenditures	**10,833**	3,813	184

	Three months ended March 31, 2017		2016	
Wells drilled	**Gross**	**Net**	Gross	Net
Development wells	**4**	**3.0**	1	1.0
Success rate (%)	**100**	**100**	100	100

LIQUIDITY AND CAPITAL RESOURCES

The capital expenditures in the respective periods were funded as follows:

	Three months ended March 31,		
Capital Program Funding	**2017**	2016	% Change
Funds flow from operations	**6,746**	3,329	103
Decommissioning costs incurred	**(418)**	(94)	345
Change in non-cash working capital	**(2,504)**	(3,607)	(31)
Increase (decrease) in bank debt & bank indebtedness	**(7,463)**	4,091	(282)
Decrease (increase) in cash in bank	**446**	-	-
Settlement of RSU's	**(5)**	-	-
Exercise of warrants	**13,613**	-	-
Net cash capital expenditures	**10,415**	3,719	179

For the three months ended March 31, 2017, the Company funded its $10,415 in net cash capital expenditures primarily from the combination of funds flow from operations and bank debt. Late in the quarter the warrants that were issued as part of the promissory note private placement in October of 2016 were exercised for gross proceeds of $13,613. When received, these funds were used to initially repay bank debt.

The Company is dedicated to strengthening the balance sheet and a big part of that strategy is to keeping bank debt to no more than 75-80% of the authorized credit facility. With commodity prices improving and good availability of its credit facility with the banks, the Company has made the conscious decision to pursue acquisitions that yield immediate production and funds flow while replenishing drilling inventory. The Company will alter its organic drilling program to make room for these acquisitions to ensure that the net debt does not increase beyond reasonable levels. The Company intends to fund its future capital programs through a combination of funds flows from operations as well as the unutilized bank lines. Journey believes these resources to be sufficient to fund these expenditures.

As at March 31, 2017, Journey had a $90,000 (2016 - $140,000) credit facility with a syndicate of banks. On April 28, 2017 the credit facility was increased to $125,000 concurrent with the closing of the Gilby/Niton acquisition. This new facility is comprised of a production facility of $110,000 and a working capital facility of $15,000. The production and working capital facilities are available on a revolving basis until April 30, 2018 which is the next renewal date. Following this date and at the request of Journey, the facilities will be available on a non-revolving basis for an additional one-year term, with a bullet payment of all outstanding amounts by the term maturity date of April 30, 2019.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the bank. The amount of available credit is based primarily upon the value of petroleum and natural gas assets. The most recent formal evaluation by our external engineers determined these reserve values as at December 31, 2016. The credit facility is subject to a semi-annual borrowing base review each April and October. As at March 31, 2017, the amount drawn on the credit facility was $45 million.

The working capital deficiency as at March 31, 2017 of $52,580 will be dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues. A certain amount of working capital deficiency is normal in the industry and varies widely from company to company based on their specific funds flow and spending patterns. With the renewal of the credit facility on April 28 the maturity date has been extended until April 30, 2019 which will move the bank borrowings into long-term status and thereby improve the working capital position.

After the acquisition on April 28, net debt is estimated to be approximately $95,000 or 76% of the currently available credit facility.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three months ended March 31, 2017.

CONTRACTUAL OBLIGATIONS

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 unaudited interim condensed consolidated financial statements.

a) Transportation and office lease costs

The Company has committed to firm-service contracts for the transportation of its natural gas. In addition, the Company has committed to future minimum payments under an operating lease that covers the rental of 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	**759**	279	309	137	34
Operating leases	**13,019**	1,433	3,761	3,756	4,069
Total	**13,778**	1,712	4,070	3,893	4,103

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.

SUBSEQUENT EVENTS

The company had the following subsequent events:

1) On April 28, 2017, the Company's syndicate of lenders renewed Journey's credit facility and increased the aggregate available amount from $105,000 to $125,000.

2) On April 28, 2018 Journey closed the acquisition of a 2,000 bbl/d (72% gas), long life, operated, high working interest assets in the Gilby and Niton areas of Alberta. The purchase price was $35.6 million before closing adjustments. As part of the acquisition Journey assumed the following hedges:

Gas contract	Volume GJ's/d	Pricing point	Strike price per GJ	*Term*
Swap	5,000	AECO 7A	CDN$2.90	April 1, 2017 to June 30, 2017
Swap	5,000	AECO 7A	CDN$2.93	July 1, 2017 to September 30, 2017
Swap	5,000	AECO 7A	CDN$3.16	October 1, 2017 to December 31, 2017
Swap	3,500	AECO 7A	CDN$3.33	January 1, 2018 to March 31, 2018
Swap	3,500	AECO 7A	CDN$2.48	April 1, 2018 to June 30, 2018
Swap	3,500	AECO 7A	CDN$2.47	July 1, 2017 to September 30, 2018
Swap	3,500	AECO 7A	CDN$2.63	October 1, 2018 to December 31, 2018

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SHARE CAPITAL

The following table provides a summary of the outstanding common shares and other equity instruments as at:

(000's)	**May 9, 2017**	**March 31, 2017**	December 31, 2016
Common shares outstanding	**50,914**	**48,653**	43,703
Options, warrants, restricted share and performance share awards	**6,470**	**6,133**	6,382
Fully diluted shares	**57,384**	**54,787**	50,085
Weighted average common shares			
Basic	**N/A**	**45,298**	43,632
Diluted	**N/A**	**46,064**	43,632

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016
Production (boe/d)	9,027	8,505	8,177	8,640
Average prices realized ($/boe)	32.85	33.46	29.98	26.01
Petroleum and natural gas sales	26,690	26,181	22,553	20,450
Net earnings (loss)	3,920	49,314	18,383	(9,714)
Basic – per share ($/share)	0.09	1.13	0.42	(0.22)
Diluted – per share ($/share)	0.09	1.13	0.42	(0.22)
Funds flow	6,746	8,354	7,571	8,218
Basic – per share ($/share)	0.15	0.19	0.17	0.19
Diluted – per share ($/share)	0.15	0.19	0.17	0.19
Total assets	489,473	484,016	473,452	471,571
Net cash capital expenditures	10,415	9,708	(10,886)	4,421
Long term financial liabilities	179,315	177,045	2,610	-
Net debt	77,416	86,916	85,048	103,477
Dividends paid	-	-	-	-

	Mar 31, 2016[(1)]	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Production (boe/d)	9,533	9,593	9,786	10,609
Average prices realized ($/boe)	20.81	28.33	31.78	36.59
Petroleum and natural gas sales	18,055	25,008	28,616	35,329
Net earnings (loss)	(5,390)	38,586	(153,397)	6,846
Basic – per share ($/share)	(0.12)	0.89	(3.49)	0.16
Diluted – per share ($/share)	(0.12)	0.86	(3.49)	0.15
Funds flow from operations	3,329	9,527	8,612	14,040
Basic – per share ($/share	0.08	0.22	0.20	0.32
Diluted – per share ($/share)	0.08	0.21	0.19	0.32
Total assets	455,389	452,116	422,357	562,616
Net capital expenditures	3,719	8,555	14,460	4,803
Long term financial liabilities	-	-	-	-
Net debt	107,019	106,534	107,921	97,849
Dividends paid	-	784	1,047	1,650

Note 1: The March 31, 2016 results have been revised to correct to an overstatement of operating expenses.

Petroleum and natural gas sales are impacted by production levels and volatile commodity pricing. Production levels are impacted by decline rates and the Company's capital program. Commodity prices are affected by both domestic and international factors that are beyond the Company's control. Petroleum and natural gas sales are impacted by production levels and the volatility of commodity pricing. In addition, royalties are affected by the underlying commodity pricing.

Significant factors and trends that have affected the Company's results during the above periods are outlined below:

- Realized commodity prices were stable at $32.85 per boe compared to $33.46 per boe in the fourth quarter. Attributable to this stability, the Company drilled 4 (3.0 net) wells in the first quarter of 2017. In addition, Journey took advantage of the uncertain oil and gas market to increase its interest in the Gilby

and Crystal areas with $2,759 in acquisitions. In addition, the Company entered into an agreement to acquire 2,000 boe/d of long life shallow decline natural gas assets contiguous with one of Journey's core areas. The infrastructure included with this acquisition gives Journey a significant processing and transportation footprint in Gilby and Niton. The operating netback continued to improve to $14.84 per boe or a 39% increase from the fourth quarter. Production volumes were 6% higher in the quarter as the volumes from new wells drilled in the quarter came on-line.

- Commodity prices continued to improve in the fourth quarter of 2016 as the combination of US election results and the new OPEC agreement in November both had positive impact on oil prices in particular. Average commodity prices increased 12% in the fourth quarter to average $33.46/BOE. Journey's operating netback improved by 18% to $16.60/BOE due to the combination of higher prices and lower operating costs. Journey finished its coal bed methane recompletion program during the quarter where in excess of 300 net wells were recompleted for CBM production. The result was an increase of approximately 1,100 Boe/d to gas production with very low incremental costs. The full impact of this production will be realized in 2017. In addition, Journey drilled 5 (4.1 net) wells. Two of these wells were not completed until mid-way through the first quarter of 2017 as the market for completion services with the service companies is becoming tighter.
- Commodity prices showed signs of recovery during the third quarter of 2016 as Journey average commodity prices were $29.98 as compared to $26.01 in the second quarter. Leading the way was a 76% increase in realized natural gas prices from the first quarter, while oil and NGL prices were fairly stable quarter to quarter. Journey concentrated on debt reduction and consequently spent only $3,390 in capital during the quarter while disposing of assets for net proceeds of $14,276. Journey drilled one well in the Brooks area during the quarter. Due to the limited drilling, and the disposition of assets, the Company's production declined from 8,640 Boe/d in the second quarter to 8,177 Boe/d in the third quarter. Journey's coal bed methane recompletion program for its 300 net wells in the Countess area commenced during the quarter and the additional gas production helped to mitigate the declines and the impact on reported production volumes from the dispositions. The recompletion program is expected to continue into the fourth quarter and will add incremental gas volumes.
- The second quarter of 2016 saw average Journey commodity prices appreciate by 25% from the first quarter. Leading the way was a 43% increase in realized oil prices and a 23% increase in NGL prices. The price appreciation coupled with the cost savings strategies; this led to an increase in funds flow from $3,329 in the first quarter to $8,218 in the third quarter. Journey concentrated on debt reduction and consequently spent only $965 in capital during the quarter. Journey did not drill any wells in the quarter. Due to the lack of drilling, the Company's production declined from 9,533 Boe/d in the first quarter to 8,640 Boe/d in the third quarter. Towards the end of the third quarter the Company embarked on a strategic acquisition and divestiture program, which when fully implemented in August are expected to yield better operating cost synergies going forward.
- The first quarter of 2016 experienced further declines in commodity prices across all product types. On average realized prices were 32% lower than the previous quarter. Capital spending was reduced to maintenance capital and the drilling of 1 (1.0 net) commitment well in Skiff. Total capital spent in the quarter was $3,719. The reduced capital program had minimal impact on production levels compared to the fourth quarter of 2015 with production coming in at 9,533 Boe/d as compared to 9,593 in the fourth quarter of 2015. Declines will start having their impact in the third quarter. The realized funds flow in the quarter was $3,329 as a result of the depressed commodity prices.
- In the fourth quarter of 2015, production volumes decreased by 2% or 193 BOE per day to 9,593 BOE per day from 9,786 BOE per day the third quarter. During the quarter, average realized commodity prices decreased by $3.45 per BOE or 11%. Combined, this resulted in a decrease to P&NG sales of 13% or $3,609 from the previous quarter. Operating netback per BOE was 18% higher than Q3, due to a combined 26% decrease in operating costs and royalties more than offsetting reduced P&NG sales. As a result, funds flow netback per BOE was 8% higher over the previous quarter. There were five (3.1 net) wells drilled during the fourth quarter as compared to five (4.4 net) wells in the third quarter.
- In the third quarter of 2015, production volumes decreased by 9% or 823 BOE per day from the third quarter of 2015. Average realized commodity prices decreased by $4.81 per BOE resulting in a 20%

decrease to P&NG sales of $6,712 from the previous quarter. Operating netback per BOE was 32% lower than Q2, primarily due to decreased realized commodity prices. This resulted in a 34% lower funds flow netback per BOE from the previous quarter. There were five (4.4 net) wells drilled during the third quarter as compared to no new wells in the third quarter. During the quarter, pursuant to the Normal Course Issuer Bid, 1,267 common shares of the Company were purchased and retired for a total cash consideration of $2,133.

- In the second quarter of 2015, production volumes decreased by 6% or 664 BOE per day from the first quarter of 2015. Average realized commodity prices increased by $6.08 per BOE resulting in a 14% increase to P&NG sales of $4,374 over the previous quarter. Operating netback per BOE was 59% higher than Q1, primarily due to increased realized commodity prices. However, the funds flow netback per BOE in the quarter was 15% lower than the first quarter, due to a significant reduction of realized hedging gains. There were no new wells drilled in the quarter as compared to 6 (5.7 net) in the previous quarter.
- In the first quarter of 2015, production volumes decreased by 500 BOE per day over the fourth quarter of 2014, with average commodity prices decreasing significantly by $14.05 per BOE. P&NG sales decreased 36% from the previous quarter. Operating netback per BOE was 54% lower than Q4, 2014 primarily due to reduced commodity prices. However, the funds flow netback per BOE in the quarter was 24% lower than the fourth quarter, 214 as a result of realized hedging gains. Nine (5.7 net) wells were drilled in the quarter with a 100% success rate as compared to 4 (2.8 net) in the previous quarter.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended March 31, 2017 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2016.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2016 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2016 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The December 31, 2016, audited consolidated financial statements are available on SEDAR at www.sedar.com.

The preparation of financial statements 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.

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing the interim Consolidated Financial Statements for the period ended March 31, 2017. The following provides an update to the disclosure in the annual Consolidated Financial Statements for the year ended December 31, 2016:

On May 28, 2014, the IASB issued IFRS 15, "*Revenue From Contracts With Customers*" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. 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. Disclosure requirements have also been expanded. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard may be applied retrospectively or using a modified retrospective approach. We are currently evaluating the impact of adopting IFRS 15 on the Consolidated Financial Statements and plan to adopt the standard for the year ended December 31, 2018.
On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

Journey is planning to apply IFRS 16 on January 1, 2019. The Company is assessing the impact of adopting IFRS 16 and will oversee changes to accounting systems, processes and internal controls. The estimated time and effort necessary to develop and implement required changes (including the impact to information technology systems) extends into 2018. Although the transition approach on adoption has not yet been determined, it is anticipated that the adoption of IFRS 16 will have a material impact on the Consolidated Balance Sheets.

RISK FACTORS AND RISK MANAGEMENT

The risks in the oil and gas industry are varied and wide-ranging. The primary risks and how the Company mitigates them are as follows:

Commodity Price Risk
The Company's operating results and financial condition are dependent on prices received for the production of natural gas, NGL and oil. Commodity prices have historically been subject to wide fluctuations and have the most material impact on funds flow. These prices are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. Prices received in Canada also reflect changes in the Canadian/US currency exchange rate. Journey's strategy to mitigate these risks focuses on the use of puts, swaps, costless collars and fixed price contracts to limit exposure to downturns in commodity prices while allowing, to the maximum extent possible, maximum exposure to commodity price increases. The Company's hedging activities are conducted pursuant to the Company's Risk Management policy approved by the Board of Directors. Revenues and the resulting funds flows fluctuate with commodity prices, which are tied directly to the US/Canadian dollar exchange rate. Commodity prices are determined on a global basis and circumstances that occur in various parts of the world are outside of the control of the Company. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy, diversifying its asset mix and strengthening its balance sheet in order to take advantage of low price environments by making strategic acquisitions. Journey enters into commodity price contracts to actively manage the risks associated with price volatility and thereby partially protect funds flows, which are used to fund our capital program.

The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favour. Journey mitigates these risks by entering mainly into collar transactions that give acceptable ranges of prices and furthermore by dealing with its chartered banks as the primary counterparty.

Foreign Exchange Risk

Journey is also exposed to fluctuations in the exchange rate between the Canadian and US dollar. Most commodity prices are based on US dollar benchmarks, which result in our realized prices being influenced by the Canadian/U.S. currency exchange rates.

Credit Risk

Credit risk arises from the potential loss resulting from a counterparty failing to meet its obligations in accordance with the agreed terms. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. On a regular basis, the Company assesses the potential for bad debts associated with these parties and provides for accordingly.

Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery.

The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

Credit Facility Risk

The Company currently has a revolving bank credit facility of $125,000. The facility is a 365 day revolving facility from a syndicate of lenders with a term-out date of April 30, 2018. The maturity date may, at the request of the Company and with the consent of the lenders, be extended until April 30, 2019. There is a risk that the facility may not be renewed for the same amount or under the same or similar terms to what currently exists. 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. Journey is subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all such covenants as at March 31, 2017. The credit facility contains customary restrictions on the disposition of assets and the granting of security, as well as on the making of distributions if there is a default under the facility.

Access to Capital Markets

The Company's business plan includes the making of significant capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As funds flow from operations may not be sufficient to fund its ongoing activities at all times, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities over and above its lending facility. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss out on acquisition opportunities, and reduce or terminate operations. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on

terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects. Should circumstances affect the funds flow from operations in a detrimental way, the Company would respond by increasing debt within the Company's self-imposed debt guideline and/or reducing capital expenditures. The Company relies on various sources of funding to support its capital expenditure program including:

- Internally generated funds flows;
- Debt may be utilized to expand capital programs when deemed appropriate; and
- Additional equity, if available and on terms acceptable to the Company, may be used to expand or support exploration and development programs and fund acquisitions.

Interest Rate Risk

Journey is exposed to interest rate fluctuations. Interest rate risk arises from changes in market interest rates that may affect the future funds flows from the Company's financial assets or liabilities. The Company's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the market rates of interest.

The maturing Western Canadian Sedimentary Basin

Land and producing assets are becoming increasingly scarce and more expensive. The Company mitigates these risks by developing its core areas to gain efficiencies. In addition, the Company participates in several farm-in opportunities wherein its exposure to increasing land prices is minimized. For riskier, exploration projects, the Company will solicit partner participation to limit the downside exposure.

Increasing United States Oil and Natural Gas Supply

Over the last several years, the advent of multi-stage fracking has unlocked previously uneconomic oil and natural gas supplies that are readily available in the United States. The Marcellus, Haynesville, and Eagle Ford shale gas plays in the Eastern United States and the Bakken in North Dakota have created a supply within the major consuming regions of the United States. This has caused a reduction in demand from Western Canada and this could possibly continue for many years to come. As a result, the Company has shifted capital to oil targets on its existing lands and will continue to do so into the foreseeable future.

Operating and finding and development costs are decreasing each year

The industry has experienced decreased costs for services in the past year. Demand for all services decreased as companies had to become more efficient in the drilling activities due to low commodity prices and demanded price reductions from all service suppliers. The Company mitigates risks by entering into strategic joint ventures to reduce exposure to high costs and diversify drilling risks. The Company employs experienced and motivated staff to evaluate and generate high quality drilling prospects. In addition the Company seeks to utilize appropriate technology and responsible operating practices in operating its wells. The Company utilizes appropriate safety programs and insurance coverage to guard against potential losses. Concentrating on core areas wherein Journey has high degrees of ownership and operatorship further mitigates increasing operating costs as economies of scale are gained. Journey attempts to minimize finding risk by:

- Focusing its efforts on its core areas wherein its expertise and experiences can be properly leveraged;
- Generating as many internal projects as possible;
- Being the operator on the majority of projects;
- Identifying drilling opportunities with multi-zone prospects; and
- Making prudent use of seismic data to identify prospects – either by purchasing trade data or by shooting new seismic.

Administrative Risks

The increased transparency required by the securities regulators and constantly evolving accounting guidelines dictate significant resources be devoted to these areas. Journey maintains processes designed to comply with the

required disclosures; has a strong Board of Directors and engages technical advisors to assist in meeting securities guidelines. In addition, the industry will continue to experience competitiveness with respect to finding and retaining qualified employees. Retention issues are at least partially mitigated by having all employees participate in its LTI program and paying competitive salaries.

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The Alberta government has recently announced changes to its royalty structure framework effective January 1, 2017. In general, the changes appear not to be financially onerous but the Company will continue to monitor and assess as the details become known. The AER has made changes to its LLR program whereby operators are rated with respect the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is well above this limit and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and marinating internal control over financial; reporting ("ICFR"). They have as at the interim period ending March 31, 2017, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to

design the Corporations ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Management of Journey, including the CEO and CFO, has evaluated the effectiveness of the Corporation's ICFR as at March 31, 2017. Based on that evaluation, the CEO and CFO have concluded that the ICFR are effective as of the end of the interim period, in all material respects.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the first quarter of 2017

The March 31, 2017 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.