MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on May 8, 2018 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, 2018 and 2017. 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, 2018 and 2017 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 2017 (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 2018:

2018 Annual Guidance	Key Assumptions	Relevant Risk Factors
Production volumes for 2018 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; drilling success; and acquisitions & divestitures
2018 funds flow of $26 - $30 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD $65/bbl WTI; Company differentials of $12/bbl; AECO natural gas prices of $1.55/mcf; and an average US/CAN exchange rate of $0.78	WTI oil prices; Edmonton par differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
2018 exploration and development capital spending program of $31 million less $4 million of dispositions that have already closed or are pending closing.	The E&D program focusing mainly on drilling 9 net wells, waterflood projects and exploitation projects. A&D expenditures are only those completed as of this date.	Achieving the projected funds flow; maintaining the existing banking credit facility
Net debt of between $120 - $124 million by the end of 2018	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Operating and transportation costs per boe of approximately $12.50/boe and $0.40/boe respectively for the balance of 2018	Achieving projected production volumes; no significant changes to cost structures; and no significant operational issues or unplanned workovers or turnarounds	Projected production volumes not achieved; third party oil processing capacities; operating cost increases due to inflation and/or improvement in industry conditions
Interest costs of approximately $1.90/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 of approximately $3.00/boe (net of capitalized G&A and recoveries)	No significant changes to currently projected activity levels	G&A is reasonably predictable as they are mainly fixed costs such as rent and salaries
Income taxes – no current income tax is projected for 2018	Journey has unutilized tax pools of approximately $725 million	Potential tax law changes; significant and sustained increase in commodity prices

Non-GAAP Measures

In this MD&A, we refer to financial measures that do not have any standardized meaning as prescribed by General Accepted Accounting Principles ("GAAP"). These non-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 most recently 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 non-GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities. Below are the non-GAAP measures that Journey uses.

This MD&A uses the term "**netback(s)**". The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers 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 three main operating subtotals: operating, funds flow and net income (loss). Operating netback is calculated as the average sales price of Journey's commodities sold (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 income (loss) netback, Journey takes the funds flow netback and deducts all non-cash expenses which includes: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; impairments; exploration and evaluation expenses; PP&E impairments and reversals; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

"Funds flow" is calculated by taking "cash flow provided by operating activities" from the financial statements and removing: 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 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 of a non-recurring nature. The Company considers 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 may not be comparable to that reported by other companies. The reconciliation between cash from operating activities on the consolidated financial statements, and funds flow can be found in the table below. Journey also presents funds flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (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.

"**Net operating expenses**" are calculated by taking the operating expenses in the statement of profit and loss and subtracting the income related to Journey's field activities, which is reflected in the statement of profit and loss as "other income". The activities that generate this income include: processing income from jointly or wholly owned gas plants and oil batteries; oil treating income; transporting third party gas and oil through gathering and sales pipelines; and water disposal fees. Journey considers this income to be ancillary to its main operations as the various operations which generate this income also process Journey's production. They are not considered to be separate profit centers and insignificant internal resources are devoted to generating this income. Therefore, for purposes of these MD&A, Journey considers it more appropriate to show this income as a cost recovery and therefore nets these amounts with field operating expenses.

The reconciliation of funds flow to the GAAP measured cash provided by operating activities is presented in the following table:

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

	March 31, 2018	March 31, 2017	% Change
Cash flow provided by operating activities	**9,396**	3,821	146
Add (deduct):			
Changes in non-cash working capital	**(4,907)**	2,507	(296)
Transaction costs	**37**	-	-
Decommissioning costs incurred	**614**	418	47
Funds flow	**5,140**	6,746	(24)

Net debt is used to assess efficiency, liquidity and general financial strength of the Company. In addition, it is used as a comparison tool to assess financial strength in relation to Journey's peers. Net debt as at the end of each year-end is as follows:

	March 31, 2018	December 31, 2017	% Change
Principal amount of bank indebtedness, less cash in bank	**62,260**	61,773	1
Principal amount of promissory notes	**52,000**	30,000	3
Accounts payable and accrued liabilities	**28,657**	28,290	(1)
Deferred lease obligation	**373**	388	(4)
Deduct:			
Accounts receivable	**(13,266)**	(16,111)	(18)
Prepaid expenses	**(1,809)**	(1,319)	37
Net debt	**128,215**	103,021	24

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, 2018

Financial

Journey recorded funds flow of $5,140 in the first quarter of 2018 representing $0.12 per share basic and diluted share. The net loss for the first quarter was $9,144 ($0.21 per basic and diluted share). The Company spent net capital of $8,463 in 2018 and exited the quarter with net debt of $128,215.

Journey completed a significant share buyback of 12.7 million shares from a significant shareholder on February 2. The aggregate cost of the repurchase was $21.3 million. This buyback was financed mainly through a new term debt loan from Alberta Management Investment Company of $22 million. This buyback was accretive to Journey's December 31, 2017 net asset value per share and the additional leverage will be managed by altering capital spending to accommodate an orderly reduction in net debt to levels more in line with our peers.

Capital spending

During the first quarter, Journey drilled 2 (2.0 net) successful oil wells. Both wells were drilled in the Matziwin area and exceeded Management's expectations. In addition, undeveloped land acquisitions were $2,352 during the quarter. The Company also disposed of 6 boe/d in the Pembina area for net proceeds of $2.0 million.

Production

Production increased 12% in the first quarter of 2018 versus the first quarter of 2017. Quarter over quarter production decreased 4% in the first quarter as compared to the fourth quarter of 2017. Production averaged 10,117 boe/d in the first quarter of 2018 as compared to 10,521 in the fourth quarter of 2017. The decrease in production was the result of freeze-offs, natural declines and the two successful wells not coming on production until late in the quarter.

Outlook

For 2018, our guidance for average production is projected to be between 10,100 and 10,500 Boe/d. Journey's drilling success in Matziwin during the first quarter has caused the Company to shift its capital allocation from other drilling projects to the Matziwin area. The Company is currently planning a three well program in that area in the second quarter. While Journey incurred approximately $1,040 in non-recurring operating costs in respect of a spill cleanup and costs rolling forward from 2017, for the balance of the year, combined operating and transportation costs are expected to average in the mid-$12 per BOE range. Funds flow is anticipated to range between $26 and $30 million depending on whether the differentials for both oil and natural gas stay at the current levels. Exploration and development capital expenditures are still projected to be approximately $32 million for the year, while dispositions are projected to be approximately $5 million.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Aggregate production volumes increased 12% during the first quarter of 2018 to 910,547 BOE as compared to 812,473 BOE for the first quarter in 2017. The increase was the primarily the result of the 2,000 boe/d acquisition completed in April of 2017 which is reflected in the results in 2018 but had yet to be completed in the first quarter of 2017. For the three months ended March 31, 2018, natural gas production contributed 53% (2017 – 53%) of total volumes; crude oil at 39% (2017 – 44%), and natural gas liquids at 8% (2017 – 3%). Journey expects liquids (oil and NGL's) volumes to be approximately 47% of total volumes for the remainder of 2018.

Aggregate Sales Volumes

	Three months ended March 31,		
	2018	2017	% Change
Natural gas (Mcf)	**2,895,866**	2,572,713	13
Crude oil (Bbl)	**358,513**	354,338	1
Natural gas liquids (Bbl)	**69,390**	29,349	136
Barrels of oil equivalent (BOE)	**910,547**	812,473	12

Volumetric Product Mix

	Three months ended March 31,		
% of Aggregate Production	**2018**	2017	% Change
Natural gas	**53**	53	-
Crude oil	**39**	44	(10)
Natural gas liquids	**8**	3	167
Total	**100**	100	

Daily Sales Volumes

Daily sales volumes increased 12% to 10,117 Boe/d for the first quarter of 2018 from 9,027 Boe/d in 2017. This increase is the net effect of the 2,000 boe/d acquisition in April of 2017; the disposition of 185 boe/d in April of 2017; the acquisition of 185 boe/d in November of 2017; drilling 11.5 net wells in 2017 and 2.0 net wells in 2018; well downtimes and natural declines.

	Three months ended March 31,		
	2018	2017	% Change
Natural gas (Mcf/d)	**32,176**	28,586	13
Crude oil (Bbl/d)	**3,983**	3,937	1
Natural gas liquids (Bbl/d)	**771**	326	137
Barrels of oil equivalent (Boe/d)	**10,117**	9,027	12

Benchmark Indices

	Three months ended March 31,		
	2018	2017	% Change
Crude Oil			
WTI (US$/Bbl)	**62.87**	51.90	21
Canadian light (CDN$/Bbl)	**73.56**	64.74	14
Western Canada Select (CDN$/Bbl)	**48.76**	49.39	1
Natural Gas			
NYMEX (US $/Mmbtu)	**2.84**	3.06	(7)
AECO - Daily (CDN$/Mcf)	**2.06**	2.69	(23)
Foreign Exchange			
Canadian to US dollar	**0.791**	0.756	5
US to Canadian dollar	**1.265**	1.323	(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 and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 23% lower at $2.06/mcf in the first quarter of 2018 as compared to $2.69/mcf during the same period in 2017. The combination of the ability to export Alberta gas and the competition with U.S. natural gas being imported into Eastern Canada and the North East United States continues to take its toll on gas prices during the quarter. Despite the winter being colder than normal in both the U.S. and Canada, the belief that there is ample production response to any significant storage draws continues to keep natural gas prices depressed. To alleviate some of the volatility in natural gas prices, Journey has moved approximately 75% of the Company's natural gas production to a monthly index pricing while 25% is on the daily index. It is anticipated that this will help smooth out the large price swings that were experienced in the first half of 2017, and also better matches the realized prices with Journey's natural gas commodity contracts which use the monthly index as their base.

WTI oil prices increased 21% in the first quarter of 2018 as compared to $62.87 USD/bbl. The Canadian dollar was appreciated 5% against the US dollar during the first quarter of 2018 which has a dampening effect on realized Canadian oil prices. Changes to the Canadian dollar vis a vis the US dollar are based on many factors. One of the more significant factors in the first quarter was the increase in the Bank of Canada prime interest rate by 0.25%. Despite this appreciation, Canadian light oil prices managed to gain 14% in the first quarter as compared to 2017 prices. The differentials between WTI and Canadian par increased significantly in the first quarter to average approximately $6/bbl USD whereas in 2017 they were in the mid-$3/bbl CDN range. In addition, Journey's corporate differential from Canadian par to its realized price widened from historic levels of approximately $9/bbl CDN to an average of $16/bbl CDN in the first quarter. For the rest of 2018, Management is projecting the CAD$ to remain in the current $0.80 CDN/US range. WTI Oil prices have been varied but are currently in the $65 USD/bbl range. Journey has increased its 2018 projection for WTI to $65 USD however it has also increased its corporate differentials to average $13/bbl for the year to reflect the current egress issues occurring in the industry. The net impact is that Journey realized oil prices are currently anticipated to be approximately $63.50 CDN for the year. Natural gas prices are expected to adjust seasonally and have been increasing somewhat from November to February, 2018. Current AECO spot prices are in the $1.60/mcf range and Journey has marginally changed its projected AECO price for 2018 to $1.50/mcf.

Realized Prices

Commodity prices realized by Journey were as follows:

a) Realized prices excluding commodity contract gains and losses:

	Three months ended March 31,		
	2018	2017	% Change
Natural gas ($/Mcf)	**1.90**	2.53	(25)
Crude oil ($/Bbl)	**57.49**	54.27	6
Natural gas liquids ($/Bbl)	**40.82**	32.03	27
Total ($/boe)	**31.78**	32.85	(3)

The 25% decline in realized natural gas prices led the 3% decline in average corporate prices during the first quarter of 2018. While natural gas prices were declining, Journey's realized oil price appreciated 6% to $57.49/bbl in the first quarter compared to $54.27/bbl in 2017. The increase in WTI prices has not translated into the same appreciation for Alberta oil prices as egress issues have caused export capacity to be limited. NGL prices have increased along with oil prices but the increase is more dramatic and the industry is not subject to the same export capacity issues that exist for oil and natural gas. NGL's were 28% higher in 2018 as compared to last year with stronger propane and condensate prices leading the way.

b) Realized prices including commodity contract gains and losses:

Journey has a combination of oil and natural gas commodity contracts as detailed in the Risk Management section below. Taking into account the impact of Journey's commodity contracts, the realized prices were as follows:

	Three months ended March 31,		
	2018	2017	% Change
Natural gas ($/Mcf)	**2.36**	2.52	(6)
Crude oil ($/Bbl)	**47.88**	51.06	(6)
Natural gas liquids ($/Bbl)	**40.82**	32.03	27
Total ($/boe)	**29.47**	31.40	(6)

RISK MANAGEMENT ACTIVITIES

At March 31, 2018, the Company had the following derivative contracts in place:

Crude Oil:

Type	Volume bbls/d	Pricing point	Strike $ per bbl (CDN)	Term	Fair value
Swap	1,500	WTI NYMEX	$69.50	January 1, 2018 to December 31, 2018	(4,865)
Swap	1,000	WTI NYMEX	$72.25	April 1, 2018 to September 30, 2018	(1,849)
Swap	1,000	WTI NYMEX	$71.00	October 1, 2018 to March 31, 2019	(1,324)
Swap	500	WTI NYMEX	$76.00	April 1, 2018 to June 30, 2018	(334)
Swap	500	WTI NYMEX	$76.00	July 1, 2018 to September 30, 2018	(249)
Swap	1,000	WTI NYMEX	$74.50	April 1, 2019 to June 30, 2019	(384)
Swap	500	WTI NYMEX	$74.00	October 1, 2018 to March 31, 2019	(393)
Collar	500	WTI NYMEX	$70.00-$77.00	April 1, 2019 to March 31, 2020	14
Total oil derivative contracts fair value					**(9,384)**

Natural Gas:

Type	Volume GJ's/d	Pricing point	Strike $ per GJ (CDN)	Term	Fair value
Swap	2,500	AECO 7a	$2.45	April 1, 2018 to June 30, 2018	295
Swap	2,500	AECO 7a	$2.45	July 1, 2018 to September 30, 2018	304
Swap	2,500	AECO 7a	$2.62	October 1, 2018 to December 31, 2018	204
Swap	1,000	AECO 7a	$2.55	April 1, 2018 to June 30, 2018	127
Swap	1,000	AECO 7a	$2.54	July 1, 2018 to September 30, 2018	129
Swap	1,000	AECO 7a	$2.66	October 1, 2018 to December 31, 2018	85
Total gas derivative contracts fair value					**1,144**
Net derivative contract liability fair value					**(8,240)**

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

$ 000's	Three months ended March 31, **2018**	2017	% Change
Realized	**(2,105)**	(1,178)	79
Unrealized	**(6,083)**	8,737	(170)
Total	**(8,188)**	7,559	(208)

$/boe	Three months ended March 31, **2018**	2017	% Change
Realized	**(2.31)**	(1.45)	59
Unrealized	**(6.68)**	10.75	(162)
Total	**(8.99)**	9.30	(197)

The change in the value of these contracts for the quarter ended March 31, 2018 resulted in a realized loss of $2,105 and an unrealized loss of $6,083. The net realized loss in the first quarter was primarily attributable to WTI

oil prices increasing above Journey's floor hedged amounts for oil contracts. The loss on the oil contracts was partially mitigated by the realized gains on the natural gas contracts. Journey's hedged prices continue to be above the natural gas reference during the first quarter leading to realizing gains on the commodity. At March 31, 2018 the estimated fair value of all commodity hedging contracts is a net liability of $8,240.

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 8% to $28,934 in 2018 from $26,690 in 2017. While production volumes increased 12% quarter to quarter, pre-hedging, average realized prices declined 3% and this dampened the growth in PNG sales. 81% of corporate revenues come from liquids (oil and NGL) production in 2018. Comparatively, 72% of revenues came from oil production in the first quarter of 2017. Journey expects the revenue contribution from liquids production to be similar to or slightly higher for the balance of 2018.

	Three months ended March 31,		
P&NG Sales ($)	**2018**	2017	% Change
Natural gas	**5,492**	6,493	(15)
Crude oil	**20,610**	19,230	7
Natural gas liquids	**2,832**	940	201
Physical natural gas contracts	**-**	27	(100)
Total	**28,934**	26,690	8

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

	Three months ended March 31,		
P&NG Sales (% Contribution)	**2018**	2017	% Change
Natural gas	**19**	24	(21)
Crude oil	**71**	72	(1)
Natural gas liquids	**10**	4	150
Total	**100**	100	

ROYALTIES

For the three months ended March 31, royalties were $3,983 in 2018 as compared to $3,104 for the same period in 2017 representing a 28% increase. On a per BOE basis, the royalty rate increased 14% to $4.37 in 2018 as compared to $3.82 from last year. As a percentage of revenue, the corporate rate for the first quarter of 2018 was 13.8% or 19% higher than the 11.6% realized in 2017. Despite average commodity prices being 3% lower, the royalty rate as a percentage of revenues increased as certain negative gas cost allowance adjustments were realized starting in 2018 that relate to the significant acquisition in April of 2017. Journey is projecting a corporate royalty rate of approximately 13% for the balance of 2018 based on Journey's internal forecast of oil prices and anticipated productivity of its wells.

	Three months ended March 31,		
	2018	2017	% Change
Crown	**1,996**	1,308	53
Freehold/gross over-riding	**1,987**	1,796	11
Total royalties	**3,983**	3,104	28
Royalties (% of P&NG sales)	**13.8**	11.6	19

	Three months ended March 31,		
$ / BOE	**2018**	2017	% Change
Crown	**2.19**	1.61	36
Freehold/gross over-riding	**2.18**	2.21	(1)
Total	**4.37**	3.82	14

NET OPERATING EXPENSES

For the three months ended March 31, net operating expenses were $12,824 or $14.08 per boe in 2018 as compared to $11,170, or $13.75 per boe in 2017. For the comparative periods, operating costs before recoveries increased by 19% and the increase is partially explained by the 12% increase in production volumes quarter to quarter. Approximately $1,040 was incurred in 2018 and include: $250 related to a pipeline leak in Crystal; and $856 related to pipeline integrity expenses and turnarounds. Expense recoveries increased 77% as processing income for the first quarter of 2018 related to the acquisition in 2017 was not reflected in first quarter 2017 results as the acquisition had not closed yet. For the remainder of 2018, Journey expects the per BOE rate to average in the mid $12.00 range.

	Three months ended March 31,		
	2018	2017	% Change
Operating expense per the financial statements	**13,800**	11,635	19
Less: expense recoveries	**(976)**	(465)	110
Net operating expenses	**12,824**	11,170	15
Expense ($ per BOE)	**14.08**	13.75	2
Expense (as a % of P&NG sales)	**44.3**	41.9	7

TRANSPORTATION

Transportation expenses were $363 for the three months ended March 31, 2018, or 1.3% of production revenue as compared to $360 and 1.3% for 2017. Transportation costs per boe averaged $0.40 for the first quarter in 2018, or 9% lower than the same period in 2017. 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,		
	2018	2017	% Change
Transportation expense	**363**	360	1
Expense ($ per BOE)	**0.40**	0.44	(9)
Expense (% of P&NG sales)	**1.3**	1.3	-

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the quarter, net G&A expense after recoveries, decreased 11% to $2,606 in 2018 from $2,931 in 2017. Gross G&A expense decreased 4% from $3,644 in 2017 to $3,494 for the comparable three month period in 2018. The decrease in gross G&A expense was primarily attributable to the inclusion of severance costs in the 2017 amount. On a per BOE basis, Journey realized net G&A of $2.86 for the first quarter of 2018, or 21% lower than the $3.61 for 2017. The higher volumes associated with the acquisition in April of 2017 contributed significantly to the lower per BOE cost. During the first quarter of 2017 Journey incurred non-recurring severance costs of $310 or $0.38/BOE. On a per BOE basis, net G&A for 2018 is expected to be in the $3.00 range for the balance of 2018.

	Three months ended March 31,		
	2018	2017	% Change
Gross expense	**3,494**	3,644	(4)
Less:			
Overhead recoveries	**(597)**	(450)	33
Capitalized G&A	**(291)**	(263)	11
Net expense per financial statements	**2,606**	2,931	(11)
Expense ($ per boe)			
Gross expense	**3.84**	4.48	(14)
Net expense	**2.86**	3.61	(21)

FINANCE EXPENSES

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. Finance expenses increased 43% from the first quarter of 2017 to the first quarter of 2018 mainly due to accretion costs on a new promissory note financing which closed in January of 2018. Interest costs for the first quarter of 2018, which includes both interest expense, renewal fees and standby bank fees, increased 67% to $1,915 from $1,147 in 2017. For the first quarter of 2018, the average interest bearing debt outstanding was $115,521 which was a 40% increase from $82,423 for the comparable period in 2017. For the quarter, the average effective interest rate on outstanding borrowings increased 20% to 6.7% in 2018 from 5.6% in 2017. On a per BOE basis, the cash finance expense was $2.10 for 2018 as compared to $1.48 for 2017, representing a 42% increase, period over period. The increase in interest expense and the effective interest rate in the first quarter of 2018 were mainly due to the issuance of a new $22,000 promissory note financing on January 31, 2018 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. This was partially mitigated by a 12% increase in production volumes.

For 2018, Journey expects the average interest bearing debt outstanding to decrease in accordance with its previously announced plan to reduce the additional leverage associated with the share buyback early in February of 2018. Journey expects the per boe rate to be in the $1.90/boe range for the balance of the year.

	Three months ended March 31,		
	2018	2017	% Change
Expense per financial statements	**3,040**	2,123	43
Add/(Deduct):			
Accretion expense (non-cash)	**(1,127)**	(922)	22
Bank fees and other charges (cash)	**2**	(54)	(104)
Interest related to borrowings (cash)	**1,915**	1,147	67
Average bank debt outstanding	**115,521**	82,423	40
Average interest rate (%)	**6.7**	5.6	20
Expense per boe			
Cash finance expense ($ per boe)	**2.10**	1.48	42
Non-cash finance expense ($/boe)	**1.24**	1.13	10
Total finance expense per financial statements ($ per boe)	**3.34**	2.61	28

SHARE BASED COMPENSATION

Share based compensation expense was $568 for the first quarter of 2018 as compared to $436 in 2017. The higher stock based compensation in the first quarter of 2018 was attributable to the amortization of new long term incentives granted to employees on October 1 of 2017. During the quarter, the Company capitalized $92 of share based compensation expense as compared to $86 for the same period in 2017. The capitalization is attributable to technical staffs, which 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.

	Three months ended March 31,		
	2018	2017	% Change
Expense per financial statements	**568**	436	30
Expense ($ per boe)	**0.62**	0.54	15

DEPLETION AND DEPRECIATION (“D&D”)

For the three months ending March 31, aggregate D&D increased 5% from $7,773 in 2017 to $8,174 in 2018. Net impairments of $39,266 recognized in the fourth quarter of 2017 had a positive influence on the D&D rate for the first quarter of 2018 as the carrying values coming into 2018 were lower by that amount. On a per BOE basis, D&D was $8.98 in 2018, a 6% decrease from $9.57 in 2017.

	Three months ended March 31,		
	2018	2017	% Change
Depletion and depreciation ($)	**8,174**	7,773	5
Expense ($ per boe)	**8.98**	9.57	(6)

DEFERRED TAXES

For the three months ended March 31, 2018 there was a $2,261 deferred income tax recovery. However, neither the recovery nor the associated deferred tax asset was recognized due to Management’s assessment that it was not probable that additional tax asset would be recognized. Therefore the deferred tax asset of $32,203 remains as it was on December 31, 2017. Journey will assess every quarter whether a change in the deferred tax asset is warranted. The Company has $725,469 in undeducted tax pools that are being carried forward for future use.

	Three months ended March 31,		
	2018	2017	% Change
Deferred tax recovery	**-**	1,660	(100)
Expense ($ / BOE)	**-**	2.04	(100)

LOSS (GAIN) ON DISPOSITION OF ASSETS

During the three months ended March 31, 2018 Journey sold a producing property in the Pembina area and some undeveloped land. The disposition resulted in the following gain:

	Three months ended March 31,		
	2018	2017	% Change
Loss (gain) on disposition	**(1,827)**	658	(378)
$ per BOE	**(2.01)**	0.81	(348)

NETBACKS

For the three months ended March 31, 2018 the operating netback was $12.93 per BOE which was 13% lower from the $14.84 per BOE realized in 2017. The decrease in operating netbacks resulted primarily from a 3% decline in average commodity prices, as well as increases to both operating and royalty expenses of 2% and 14% respectively. Transportation expenses were down 9% to help mitigate the decline in operating netback. For the quarter, G&A expenses were lower by 21% while cash finance expenses mainly associated with higher term debt increased 42% over the comparative first quarters. Realized hedging losses increased by 59% to $2.31 per BOE and were primarily the result of rising oil prices above the hedged prices. For the three months ended March 31, the funds flow netback decreased 32% from $8.30 in 2017 to $5.66 in 2018. In the non-cash expense section, Journey had significant negative movements in its unrealized hedging loss position. The unrealized loss at March 31, 2018 was $6.68 as compared to a gain of $10.75 in 2017. The end result was a net loss of $10.02 per boe for the first quarter of 2018 as compared to income of $4.82 per boe in 2017.

($ per BOE)	Three months ended March 31, 2018	2017	% Change
Realized price	**31.78**	32.85	(3)
Royalties	**(4.37)**	(3.82)	14
Operating expenses	**(14.08)**	(13.75)	2
Transportation expenses	**(0.40)**	(0.44)	(9)
Operating	**12.93**	14.84	(13)
General and administrative	**(2.86)**	(3.61)	(21)
Finance expense - cash	**(2.10)**	(1.48)	42
Realized gain (loss) on derivative contracts	**(2.31)**	(1.45)	59
Funds flow	**5.66**	8.31	(32)
Transaction costs	**(0.04)**	-	-
Unrealized loss on derivative contracts	**(6.68)**	10.75	(162)
Share based compensation	**(0.62)**	(0.54)	15
Depletion and depreciation	**(8.98)**	(9.57)	(6)
Finance expense – non-cash	**(1.24)**	(1.13)	9
Gain (loss) on dispositions	**2.01**	(0.81)	(348)
Exploration & evaluation expense	**(0.13)**	(0.14)	(7)
Deferred tax expense	**-**	(2.04)	(100)
Net income (loss)	**(10.02)**	4.82	(308)

NET EARNINGS (LOSS) AND FUNDS FLOW

The net loss for the first quarter of 2018 was $9,144 as compared to net earnings of $3,920 in 2017. Journey realized a net loss of $0.21 per weighted basic and diluted share in 2018 as compared to earnings per share of $0.09 (basic and diluted) for 2017.

For the three months ended March 31, funds flow decreased 24% from $6,746 in 2017 to $5,140 in 2018. The decrease was largely attributable, period over period, to a 3% increase in realized prices as well as a 59% increase in hedging losses. For the three months ended March 31, funds flow per weighted share in 2018 was $0.12 per basic and diluted share. Comparatively, funds flow per weighted share in 2017 was $0.15 per basic and diluted share.

Per share data	Three months ended March 31, 2018	2017	% Change
Net earnings (loss)	**(9,144)**	**3,920**	(333)
Basic ($/share)	**(0.21)**	**0.09**	(333)
Diluted ($/share)	**(0.21)**	**0.09**	(333)
Funds flow	**5,140**	**6,746**	(24)
Basic ($/share)	**0.12**	**0.15**	(20)
Diluted ($/share)	**0.12**	**0.15**	(20)

CAPITAL EXPENDITURES

For the first three months of 2018, $10,501 was spent on capital expenditures (before acquisitions/dispositions), an increase of 38% over $7,628 spent in the same quarter of 2017. Included in the first quarter 2018 capital program was the drilling of 2 (2.0 net) wells as compared to 4 (3.0 net) wells in 2017. The divestments were mainly comprised of a 6 boe/d (100% liquids) disposition in February for $1,995, with the balance relating to a minor asset disposition. Journey plans on spending $32 million in its exploration and development program for 2018 and is currently expecting, or has recently completed, dispositions of approximately $7 million bring the net capital program for the year to $27 million. A breakdown of the net capital additions for the respective quarters is as follows:

	Three months ended March 31,		
	2018	2017	% Change
Cash expenditures:			
Land and lease rentals	**2,352**	129	1,723
Geological and geophysical	**190**	8	2,280
Drilling and completions	**4,622**	5,384	(14)
Well equipment and facilities	**3,024**	1,772	71
Capitalized general and administrative	**291**	263	11
Exploration and development expenditures	**10,479**	7,556	39
Other expenditures	**22**	72	(69)
Total capital expenditures	**10,501**	7,628	38
PP&E acquisitions	**-**	2,628	-
PP&E dispositions	**(2,002)**	(105)	1,807
E&E acquisitions/dispositions	**(126)**	264	(148)
Net cash capital expenditures	**8,373**	10,415	(20)
Other:			
Capitalized SBC	**92**	86	7
Decommissioning expenditures	**614**	418	47
Total cash capital expenditures	**9,079**	10,919	(17)

	Three months ended March 31,			
	2018		2017	
Wells drilled	**Gross**	**Net**	Gross	Net
Development wells	**2**	**2.0**	4	3.0
Success rate (%)	**100**	**100**	100	100

DECOMMISSIONING LIABILITIES ("DL")

At March 31, 2018, Journey has recorded a DL of $177,605 ($175,495 at December 31, 2017) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells and facilities, and reclaim the surface access; the time frame in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. The future liability has then been discounted at a risk-free interest rate of 2.2 per cent at March 31, 2018 (December 31, 2017 – 2.2%).

Accretion charges of $961 for the three months ended March 31, 2018 (March 31, 2017 - $815), respectively, have been recognized in the statements of comprehensive net income (loss) to reflect the increase in DL associated with

the passage of time. Actual spending under Journey's abandonment and reclamation program for the three months ended March 31, 2018 was $615 ($418 for the same period in 2017).

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey's assets are funded entirely out of funds flow from operating activities. Journey's Liability Management Rating is well within the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required at March 31, 2018 and at the date of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

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

	Three months ended March 31,		
Capital Program Funding	**2018**	2017	% Change
Funds flow	**5,140**	6,746	(24)
Decommissioning costs incurred	**(614)**	(418)	47
Change in non-cash working capital	**2,739**	(2,504)	209
Increase (decrease) in bank debt & bank indebtedness	**(3,000)**	(7,463)	(60)
Decrease (increase) in cash in bank	**3,487**	446	682
Issuance of promissory notes	**22,000**	-	-
Share repurchase	**(21,336)**	-	-
Deferred finance charges	**(37)**	-	-
Settlement of RSU's	**(6)**	(5)	20
Exercise of warrants	**-**	13,613	(100)
Net cash capital expenditures	**8,373**	10,415	(20)

For the three months ended March 31, 2018, the Company funded its $8,373 in net cash capital expenditures primarily from funds flow and bank debt.

The annual review of the credit facility was recently concluded on April 30, 2018 and the revised facility was set at $100,000. The total facility is comprised of a production facility of $85,000 and a working capital facility of $15,000. Upon a request from Journey at maturity, and subject to syndicate approval, the facilities may be extended by one year.

As at March 31, 2018 the bank debt outstanding was $67,000, representing approximately 67% of the total credit facilities of $100,000. In January of 2018, the Company concluded the acquisition of 12,700 shares from its largest shareholder at a cost of $21,336. To finance the acquisition, Journey obtained a new term debt loan from the Alberta Management Investment Company in the principal amount of $22,000. Because of this increased leverage from the share repurchase, Journey re-evaluated its capital spending plans for 2018 and reduced it from a planned level of $40 million to the revised level of approximately $27 million net of dispositions. In addition, and with the intent of reducing leverage, Journey continues to evaluate the possibility of disposing of non-core assets. Journey plans to continue evaluating small accretive acquisitions that will enhance existing core areas in terms of drilling prospects and infrastructure control. The Company intends to fund its 2018 capital program through a combination of funds flows from operations as well as the available bank credit lines. Journey currently expects these resources to be sufficient to fund its capital program which is focused on marinating production at current levels.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the banks. 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, 2017. The credit facility is also subject to a semi-annual borrowing base review in October of each year.

The working capital deficiency as at March 31, 2018 was $86,289 (current assets minus current liabilities) 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 and any proceeds from the disposition of assets. 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 30 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.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three months ended March 31, 2018.

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	2018	2019 - 2020	2021 - 2022	Thereafter
Natural gas transportation	**1,245**	492	647	106	-
Operating leases	**11,221**	1,454	3,821	3,755	2,191
Total	**12,466**	1,946	4,468	3,861	2,191

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.

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 8, 2018**	**March 31, 2018**	December 31, 2017
Common shares outstanding	**38,546**	**38,546**	51,240
Options, warrants, restricted share and performance share awards	**7,003**	**7,015**	7,130
Fully diluted shares	**45,549**	**45,561**	58,370
Weighted average common shares			
Basic	**N/A**	**43,199**	49,390
Diluted	**N/A**	**43,199**	49,390

On February 2, 2018 Journey repurchased 12,700 shares from a significant shareholder.

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Mar 31, 2018	Dec. 31, 2017	Sep 30, 2017	Jun 30, 2017
Production (boe/d)	10,117	10,521	10,088	10,194
Average prices realized, pre-hedging ($/boe)	31.78	31.32	25.29	31.92
Petroleum and natural gas sales	28,934	30,311	23,471	29,613
Net earnings (loss)	(9,144)	(138,841)	(6,059)	7,959
Basic – per share ($/share)	(0.21)	(2.72)	(0.12)	0.16
Diluted – per share ($/share)	(0.21)	(2.72)	(0.12)	0.16
Funds flow	5,140	9,829	4,843	9,708
Basic – per share ($/share)	0.12	0.19	0.10	0.19
Diluted – per share ($/share)	0.12	0.19	0.09	0.19
Total assets	413,802	416,983	532,161	554,933
Net cash capital expenditures	8,373	11,328	9,408	34,477
Long term financial liabilities	224,600	201,759	195,070	211,038
Net debt	128,215	103,021	103,385	96,554
Dividends paid	-	-	-	-

	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Production (boe/d)	9,027	8,505	8,177	8,640
Average prices realized, pre-hedging ($/boe)	32.85	33.46	29.98	26.01
Petroleum and natural gas sales	26,690	26,181	22,553	20,450
Net earnings (loss)	3,920	49,314	18,383	(9,714)
Basic – per share ($/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 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	-	-	-	-

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:

- On February 2, 2018 Journey bought 12,700 of its common shares from a significant shareholder for cancellation for a cost of $21,336 ($1.68 per share). The repurchase was funded with the issuance of $22,000 of term debt. In the first quarter of 2018 production averaged 10,117 boe/d (53% natural gas) compared to 10,521 boe/d (54% natural gas). Realized prices before hedging averaged $31.78/boe as compared to $31.32/boe in the fourth quarter of 2017. Journey spent $8,373 in capital during the quarter which included land acquisitions and drilling 2 (2.0 net) wells in the Matziwin area.
- During the fourth quarter of 2017 production volumes were 10,521 boe/d (54% natural gas) compared to third quarter volumes of 10,088 (55% natural gas). Journey spent $11,328 in the quarter which included drilling 2 (2.0 net) wells. All three were placed on production at various times during the quarter. Average commodity prices were higher in the fourth quarter at $31.32/boe as compared to $25.29/boe in the third quarter. Natural gas prices continued to stay low and averaged $1.49/mcf during the quarter as compared to $1.32/mcf in the third quarter. Funds flow was $9,829 in the fourth quarter as compared to $4,843 in the third quarter. During the fourth quarter the Company de-recognized $104,115 in deferred tax assets as the decline in forward-looking natural gas prices caused Management to re-evaluate the probability of using their large tax pool position. In addition, Journey had net impairments of $39,599 for PP&E and E&E assets in the quarter attributable to the lower natural gas prices in the independent reserve engineers report at December 31, 2017.
- During the third quarter of 2017 production volumes were 10,088 boe/d compared to second quarter volumes of 10,194. Two newly drilled wells were placed on production in the quarter and this was enough to stabilize the declines on existing corporate production. Average commodity prices were lower than in the second quarter at $25.29/boe as compared to $31.92/boe. Natural gas prices took a sharp downward turn in the quarter and averaged only $1.32/mcf (excluding hedging gains) from $2.70/mcf in the second quarter. Funds flow was $4,843 in the fourth quarter as compared to $9,707 in the second quarter. Journey drilled 5 (5.0 net) wells in the quarter with net cash capital spending at $9,408.
- In the second quarter of 2017 daily production increased 13% to 10,914 boe/d from the first quarter. A significant portion of this increase to production came from the acquisition of 2,000 boe/d (72% gas) on April 28. Average commodity prices were relatively flat from the first quarter as Journey realized $31.92 per boe as compared to $32.85 in the first quarter. Drilling was limited to 1 (1.0 net) well in the quarter as the Company chose to pay down the debt incurred on the acquisition. Funds flow was $9,707 in the second quarter as compared to $6,747 in the first quarter.
- Realized commodity prices were stable at $32.85 per boe compared to $33.46 per boe in the first quarter of 2017. Attributable to this stability, the Company drilled 4 (3.0 net) wells during the quarter. In addition, Journey took advantage of the uncertain oil and gas dispositions market to increase its interest in the Gilby and Crystal areas with $2,759 in acquisitions. 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 the US election results and the new OPEC agreement from November had a 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 fourth 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 fourth 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 fourth quarter. Towards the end of the fourth 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 fourth quarter. The realized funds flow in the quarter was $3,329 as a result of the depressed commodity prices.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended March 31, 2018 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, 2017.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2017 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2017 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, 2017, 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

There were no new or amended accounting standards or interpretations issued during the period ended March 31, 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.

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 concluded its renewal of the annual review of its syndicated credit facility on April 30, 2018. The revised total facility is now $100,000. The facility is a 365 day revolving facility from a syndicate of lenders with a term-out date of April 30, 2019. The maturity date may, at the request of the Company and with the consent of the lenders, be extended until April 30, 2020. 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, 2018. 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 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 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, 2018. 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, 2018, 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.

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 2018

The March 31, 2018 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.