



MANAGEMENT'S DISCUSSION AND ANALYSIS – 2017

The following Management's Discussion and Analysis ("MD&A") was prepared on March 13, 2018 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three and twelve months ended December 31, 2017 and 2016. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 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 2017 (iv) debt and bank facilities, (v) capital expenditures, (vi) primary and secondary recovery potentials and implementation thereof, (vii) decline rates, (viii) funds flow 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 and guidance for 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 3 rd party facility or pipeline outages.	Well performance; 3 rd party outages; drilling success; and acquisitions & divestitures
2018 funds flow from operations of \$36 - \$40 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD \$60/bbl WTI; AECO natural gas prices of \$1.55/mcf; and using an average US/CAN exchange rate of \$0.80	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 will focus 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 from operations; maintaining the existing banking credit facility
Net debt of between \$110 - \$114 million by the end of 2018	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Operating and transportation costs per boe of approximately \$12.60/boe and \$0.40/boe respectively	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
Cash financing costs (interest and bank fees) costs of approximately \$1.80/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 \$722 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 “netbacks”. 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.

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 on the consolidated financial statements, and funds flow from operations 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.

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 of a non-recurring nature.

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

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Cash provided by operating activities	11,309	7,506	51	36,798	17,333	112
Add (deduct):						
Changes in non-cash working capital	(1,727)	515	(435)	(7,127)	9,428	(176)
Transaction costs	14	157	(91)	628	185	239
Decommissioning costs incurred	233	176	32	827	526	57
Funds flow from operations	9,829	8,354	18	31,126	27,472	13

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:

	December 31, 2017	December 31, 2016	% Change
Principal amount of bank indebtedness, less cash in bank	61,773	50,879	21
Principal amount of promissory notes	30,000	30,000	-
Accounts payable and accrued liabilities	28,290	21,256	33
Deferred lease obligation	388	450	(14)
Deduct:			
Accounts receivable	(16,111)	(14,055)	15
Prepaid expenses	(1,319)	(1,614)	(18)
Net debt	103,021	86,916	19

Abbreviations and BOE Advisory

<i>bbl</i>	Barrel
<i>bbls</i>	Barrels
<i>bbl/d</i>	Barrels per day
<i>boe</i>	Barrels of oil equivalent
<i>boe/d</i>	Barrels of oil equivalent per day
<i>gj</i>	Gigajoules
<i>Mbbls</i>	Thousand barrels
<i>MMBtu</i>	Million British thermal units
<i>NGL's</i>	Natural gas liquids
<i>Mcf</i>	Thousand cubic feet
<i>Mcf/d</i>	Thousand cubic feet per day
<i>Mboe</i>	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 FROM THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017

Financial

Journey realized funds flow of \$9,829 in the fourth quarter of 2018 bringing the year to date amount to \$31,126. This translates into \$0.19 per basic and diluted share for the quarter and \$0.63 per basic and \$0.62 per diluted share for the twelve months ended December 31. The net loss for the fourth quarter was \$138,842 (\$2.72 per basic and diluted share) and for the twelve months ended December 31 the net loss was \$133,021 or \$2.69 per basic share and diluted share. Journey exited 2017 with net debt of \$103,021. At December 31, 2017, Journey was drawn approximately \$70 million on its \$125 million syndicated bank facility.

Capital program

During the fourth quarter, the Company spent \$11,328 on its capital program (net of divestitures). The majority of this spending went to the drilling of 2 (2.0 net) wells including one in each of the Crystal and Herronton areas. All wells drilled in the fourth quarter were placed on production during the quarter.

Production

Production volumes increased by 24% to 10,521 boe/d in the fourth quarter of 2017 from 8,505 boe/d in the same quarter of 2016. For the twelve month periods, production increased 14% to 9,962 boe/day from 8,712 boe/day. Production from the Gilby acquisition in the second quarter was the main driver behind the increase in production for the balance of the year. This acquisition accounted for approximately 2,000 boe/d of the fourth quarter daily production rate.

Outlook

Oil prices have recovered somewhat since the end of the fourth quarter and now trade at approximately USD \$62/bbl for WTI. However, natural gas prices in Alberta have continued to be challenged starting last July with AECO at \$1.89/mcf. The persistently low prices continued through October where AECO averaged \$0.87/mcf. Natural gas prices recovered to \$2.32/mcf in November and to approximately \$2.00/mcf in December through February of 2018. While 83% of revenues come from liquids (oil and NGL) production in the fourth quarter, the Company is being cautious about its near term capital spending. This is especially so given the \$21.3 million the Company spent on the acquisition of 12.7 million shares of Journey which closed on January 31. The low natural gas prices are mitigated with a solid hedging position and while natural gas accounts for approximately 54% of fourth quarter production, it contributed only 17% to our sales revenue. Given the additional leverage taken on to purchase the Journey shares, the Company has scaled back its capital program for 2018 to approximately \$30 million from the originally planned \$40 million. This level of expenditure is designed to keep production close to current levels and provide for a reduction of net debt by the end of the year by approximately \$8-10 million. In these uncertain times of commodity egress from Alberta, coupled with persistently low prices for both natural gas and oil, Journey has maintained its focus on creating shareholder value. The recent share repurchase and

acquisition of 100 sections of Duvernay lands were designed to create shareholder value and also set the stage for the future growth of the Company while commodity prices improve.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Aggregate production volumes increased 24% during the fourth quarter of 2017 to 967,918 boe as compared to 782,480 boe for the fourth quarter of 2016. The increase was mainly attributable to the acquisition Journey closed in April. This acquisition impacted the quarter by approximately 2,000 boe/d of which approximately 72% was attributable to natural gas volumes. For the twelve month comparative periods, aggregate production volumes increased by 14% from 3,188,596 boe in 2016 to 3,636,193 boe in 2017.

Aggregate Sales Volumes

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (Mcf)	3,160,152	2,411,526	31	11,830,756	8,984,166	32
Crude oil (Bbl)	365,304	348,268	5	1,428,789	1,504,176	(5)
Natural gas liquids (Bbl)	75,922	32,290	135	235,611	187,059	26
Barrels of oil equivalent (boe)	967,918	782,480	24	3,636,193	3,188,596	14

Daily Sales Volumes

Total daily sales volumes increased 24% to 10,521 boe/d for the fourth quarter of 2017 from 8,505 boe/d in 2016. The increase was mainly attributable to the asset acquisitions during the second quarter while new drilling mitigated natural declines from existing production. For the twelve month periods, daily sales volumes increased 14% to 9,962 boe/d for 2017 from 8,712 boe/d in 2016.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (Mcf/d)	34,349	26,212	31	32,413	24,547	32
Crude oil (Bbl/d)	3,971	3,786	5	3,914	4,110	(5)
Natural gas liquids (Bbl/d)	825	351	135	646	511	26
Barrels of oil equivalent (boe/d)	10,521	8,505	24	9,962	8,712	14

For the fourth quarter, natural gas production contributed 54% (2016 – 51%) of total volumes, with oil at 38% (2016 – 45%) and natural gas liquids at 8% (2016 – 4%). Of the total volumes for the twelve months ended December 31, natural gas production contributed 54%, a 15% increase from 2016, with oil at 39% as compared to 47% in 2016 and natural gas liquids at 6% for both 2017 and 2016. The sale of 185 boe/d for the Sylvan Lake assets which was 83% liquids and the acquisition in the Gilby/Niton areas of 2,000 boe/d (72% natural gas), both of which closed at the end of April, caused the product weighting to shift and now makes natural gas the dominant product sold in terms of boe equivalents.

Daily BOE production for the twelve months ended December 31, 2016 and 2015 are shown by Journey's main operating properties as follows:

Area	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Cherhill	925	989	(6)	852	1,051	(19)
Countess	2,896	2,912	(1)	2,997	1,993	50
Crystal	1,512	1,145	32	1,352	1,224	10
Herronton	751	800	(6)	808	957	(16)
Matziwin	1,159	1,092	6	1,219	1,198	2
Greater Gilby	2,059	-	-	1,551	-	-
Alberta other	1,219	1,567	(22)	1,182	2,289	(48)
Total	10,521	8,505	24	9,962	8,712	14

Volumetric Product Mix

% of Aggregate Production	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas	54	51	6	54	47	15
Crude oil	38	45	(16)	39	47	(17)
Natural gas liquids	8	4	100	6	6	-
Total	100	100		100	100	

Benchmark Indices

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Crude Oil						
WTI (US\$/Bbl)	55.40	49.29	12	50.95	43.32	18
Edmonton light (CDN\$/Bbl)	65.67	60.76	8	61.85	52.79	17
Natural Gas						
NYMEX (US \$/Mmbtu)	2.92	3.17	(8)	3.02	2.55	18
AECO - Daily (CDN\$/Mcf)	1.72	3.11	(45)	2.20	2.18	1
Foreign Exchange						
Canadian to US dollar	0.7865	0.750	5	0.7712	0.755	2
US to Canadian dollar	1.2715	1.334	(5)	1.2979	1.326	(2)

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 45% lower at \$1.72/mcf in the fourth quarter of 2017 as compared to \$3.11/mcf during the same period in 2016. For the year to date, natural gas prices were 1% higher at \$2.20/mcf versus \$2.18 during 2016. 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 took its toll on gas prices during the quarter. The severely depressed natural gas prices extended from July into October and Journey has made some adjustments to its gas marketing to reduce the volatility in the realized prices. Effective November 1, 2017 approximately 75% of the Company's natural gas production has been moved to a monthly index pricing instead of the daily index the Company was previously using. It is anticipated that this

will help smooth out the large price swings that were experienced in July through October, and also better matches the realized prices with Journey's natural gas hedges which use the monthly index as their base.

For WTI oil prices there was an increase of 12% in the fourth quarter of 2017 to \$55.40 USD/bbl. and 18% for the twelve months ended December 31, 2017. The Canadian dollar was relatively stable with a 5% appreciation during the fourth quarter of 2017. Changes to the Canadian dollar vis a vis the US dollar are based on many factors. One of the more significant factors in the fourth quarter was the increase in the Bank of Canada prime interest rate by 0.5%. Despite this appreciation, Edmonton light oil prices managed to gain 8% in the fourth quarter as compared to 2016 prices and the excess worldwide supply overhang has shown some signs of improvement. The differentials between WTI and Edmonton par have been fairly consistent for 2017 in the mid-\$3 USD per barrel range up until the fourth quarter where they widened significantly to approximately \$7 USD per barrel. For 2018, Management is projecting the CAD\$ to remain in the current \$0.80 CDN/US range. Any appreciation in the Canadian dollar tends to mute the impact of WTI price increases. Oil prices have been varied but are currently in the \$60-\$62 USD/bbl range. Journey is currently using \$60 USD for average WTI prices in its guidance for 2018. 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 \$2.10/mcf range.

Realized Prices

Commodity prices realized by Journey were as follows:

a) Realized prices excluding hedging gains and losses:

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (\$/Mcf)	1.49	3.00	(50)	1.98	2.08	(5)
Crude oil (\$/Bbl)	59.90	51.87	15	54.37	42.65	27
Natural gas liquids (\$/Bbl)	41.83	31.35	33	34.54	23.75	45
Total (\$/boe)	31.32	33.46	(6)	30.27	27.36	11

The 50% decline in natural gas prices led the decline in average corporate prices with a 6% decrease during the fourth quarter of 2017. While natural gas prices were declining, Journey's realized oil price appreciated 15% to \$59.90/bbl in the fourth quarter compared to \$51.87/bbl in 2016. For the twelve months ended December 31, 2017 Journey's average realized commodity prices increased by 11% to \$30.27/boe from \$27.36/boe in 2016. For the twelve months ended December 31, 2017 realized natural gas prices have been similar to 2016 prices averaging \$1.98/mcf as compared to \$2.08/mcf in 2016. Oil prices were 27% higher throughout the twelve months of 2017 as compared to \$42.65/bbl in 2016. NGL prices have followed the oil price increase and have been 45% higher in 2017 as compared to last year with stronger propane and condensate prices leading the way.

b) Realized prices including hedging gains and losses:

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

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (\$/Mcf)	2.32	2.95	(21)	2.40	2.07	16
Crude oil (\$/Bbl)	55.85	49.32	13	52.49	45.64	15
Natural gas liquids (\$/Bbl)	41.83	31.35	33	34.54	23.75	45
Total (\$/boe)	31.94	34.59	(8)	30.67	25.95	18

RISK MANAGEMENT ACTIVITIES

At December 31, 2017, 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	CDN\$69.50	January 2, 2018 to December 31, 2018	(2,544)
Swap	1,000	WTI NYMEX	CDN\$71.00	January 2, 2018 to March 29, 2018	(417)
Swap	1,000	WTI NYMEX	CDN\$72.25	April 2, 2018 to September 28, 2018	(382)
Swap	1,000	WTI NYMEX	CDN\$71.00	October 1, 2018 to March 29, 2019	(143)
3 way collar	1,000	WTI NYMEX	CDN\$39.50 /\$60.00/\$65.00	October 1, 2016 to March 31, 2018	(979)
Total oil derivative contracts fair value liability					(4,465)

Natural Gas:

Type	Volume GJ's/d	Pricing point	Strike \$ per GJ (CDN)	Term	Fair value
Swap	2,500	AECO 7a	CDN\$3.282	January 1, 2018 to March 31, 2018	305
Collar	5,000	AECO 7a	CDN\$2.40-2.85	November 1, 2016 to March 31, 2018	256
Swap	2,500	AECO 7a	CDN\$2.453	April 1, 2018 to June 30, 2018	278
Swap	2,500	AECO 7a	CDN\$2.447	July 1, 2018 to September 30, 2018	254
Swap	2,500	AECO 7a	CDN\$2.618	October 1, 2018 to December 31, 2018	196
Swap	1,000	AECO 7a	CDN\$3.459	January 1, 2018 to March 31, 2018	138
Swap	1,000	AECO 7a	CDN\$2.549	April 1, 2018 to June 30, 2018	120
Swap	1,000	AECO 7a	CDN\$2.534	July 1, 2018 to September 30, 2018	109
Swap	1,000	AECO 7a	CDN\$2.658	October 1, 2018 to December 31, 2018	82
Swap	5,000	AECO 7a	CDN\$3.12	June 1, 2017 to March 31, 2018	570
Swap	2,500	AECO 7a	CDN\$3.282	January 1, 2018 to March 31, 2018	305
Collar	5,000	AECO 7a	CDN\$2.40-2.85	November 1, 2016 to March 31, 2018	256
Swap	2,500	AECO 7a	CDN\$2.453	April 1, 2018 to June 30, 2018	278
Swap	2,500	AECO 7a	CDN\$2.447	July 1, 2018 to September 30, 2018	254
Total gas derivative contracts fair value asset					2,308
Net derivative contracts fair value liability					(2,157)

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

\$ 000's	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Realized	(600)	888	(168)	(1,420)	(4,492)	(68)
Unrealized	4,581	6,706	(32)	(10,581)	16,762	(163)
Total	3,981	7,594	(48)	(12,001)	12,270	(198)

\$/boe	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Realized	(0.62)	1.13	(155)	(0.39)	(1.41)	(72)
Unrealized	4.73	8.57	(45)	(2.91)	5.26	(155)
Total	4.11	9.71	(58)	(3.30)	3.85	(185)

The change in the value of these contracts for the quarter ended December 31, 2017 resulted in a realized gain of \$600 and an unrealized loss of \$4,581. For the twelve months ended December 31, there was a total gain of \$12,001, which was comprised of a realized portion of \$1,420 and an unrealized (or mark to market) gain of \$10,581. The realized gain in the fourth quarter as well as the year to date in 2017 was primarily attributable to natural gas prices dropping below the hedged floor amounts. At December 31, 2017 the estimated fair value of all commodity hedging contracts is a net liability of \$2,157.

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.

A 10% increase in commodity prices would have resulted in unrealized gains or losses on commodity contracts increasing the net loss by \$5,596 while a 10% decrease would have reduced the net loss by \$5,604.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby partially protect funds flows, which are used to fund both our capital program and dividend payments. 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 into risk management contracts for oil, natural gas and foreign exchange.

PETROLEUM AND NATURAL GAS (“P&NG”) SALES

In the fourth quarter of 2017, aggregate P&NG sales increased 16% to \$30,311 as compared to \$26,181 for the same period in 2016. While average commodity prices decreased by 6% quarter to quarter, production volumes increased by 24% in the same time frame. For the twelve months ended December 31, aggregate P&NG sales increased 26% to \$110,085 in 2017 from \$87,239 in 2016. For the twelve month period in 2017, the increase in P&NG sales was primarily the result of a 14% increase in production volumes, but there was also an 11% increase in average commodity prices. Realized prices decreased for gas (50%); and increased for oil (15%) and natural gas liquids (33%) over the comparative quarters. For the twelve month periods, prices decreased for natural gas (5%), and increased for both oil (27%) and natural gas liquids (45%).

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas	5,253	7,104	(26)	24,268	18,640	30
Crude oil	21,882	18,065	21	77,680	64,156	21
Natural gas liquids	3,176	1,012	214	8,137	4,443	83
P&NG sales	30,311	26,181	16	110,085	87,239	26

P&NG Sales % Contribution	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Natural gas	17	27	(37)	22	21	3
Crude oil	72	69	5	71	74	(4)
Natural gas liquids	11	4	169	7	5	45
Total	100	100		100	100	

ROYALTIES

For the fourth quarter of 2017 total royalties were \$4,335 as compared to \$3,258 for the same period in 2016. On a per boe basis, the royalty rate increased to \$4.48 in 2017 as compared to \$4.16 in 2016. As a percentage of revenue, the rate for the fourth quarter of 2017 was 14.3% or 15% higher than the 12.4% realized in 2016. The increase in the royalty percentage is primarily explained by higher oil prices. While natural gas prices were 50% lower in the fourth quarter, this had little impact on the royalty rates as Journey’s crown rate was negligible at this price. However, oil and NGL prices were 15% and 33% higher respectively and this is what caused the effective royalty rate to be 15% higher.

For the twelve months ended December 31, royalties were \$14,084 in 2017 as compared to \$9,900 for the same period in 2016. On a per boe basis, the royalty rate increased 24% to \$3.87 in 2017 as compared to \$3.11 from last year. As a percentage of revenue, the rate for 2017 was 12.8% or 13% higher than the 11.3% realized in 2016.

Journey is anticipating a corporate royalty rate of between 12% and 13% for 2018 based on the Company’s internal forecast of oil and natural gas prices and the anticipated productivity of its wells. However, this could change significantly as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

\$ 000's	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Crown	2,134	1,111	92	6,236	3,654	71
Freehold/gross over-riding	2,201	2,147	3	7,848	6,246	26
Total royalties	4,335	3,258	33	14,084	9,900	42
Royalties (as a % of P&NG sales)	14.3	12.4	15	12.8	11.3	13

\$ / boe	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Crown	2.21	1.42	56	1.71	1.15	49
Freehold/gross over-riding	2.27	2.74	(17)	2.16	1.96	10
Total royalties	4.48	4.16	8	3.87	3.11	24

OPERATING EXPENSES

Operating expenses were \$12,087 or \$12.49 per boe for the fourth quarter in 2017 as compared to \$9,584, or \$12.25 per boe in 2016. In the fourth quarter of 2017, net operating costs increased by 26% reflecting a combination of the 24% increase in produced volumes. However, on a per boe basis the rate dropped by 2%. For the twelve month period ended December 31, operating costs were \$48,751 or \$13.41 per boe in 2017 as compared to \$37,116, or \$11.64 per boe in 2016. During 2017 Journey incurred non-recurring charges of: \$704 in facility turnaround costs; \$1,211 in site clean-up costs related to costs from pipeline spills not covered by insurance; and \$2,600 in pipeline integrity costs as part of a preventative, pipeline maintenance program. The non-recurring costs comprised \$1.24 per boe of the 2017 annual per boe operating expense. For the 2018, Journey expects the per boe rate to average in the mid-\$12 range.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Gross operating expenses	12,275	10,362	18	51,493	42,042	22
Less: processing, treating income	(188)	(778)	(76)	(2,742)	(4,926)	(44)
Expense per financial statements	12,087	9,584	26	48,751	37,116	31
Expense (\$ per boe)	12.49	12.25	(2)	13.41	11.64	15
Expense (as a % of P&NG sales)	39.9	36.6	9	44.3	42.5	(4)

TRANSPORTATION

Transportation expenses were \$332 for the fourth quarter of 2017, and represented 1.1% of P&NG sales for the period as compared to \$352 and 1.3% for 2016. The cost per boe averaged \$0.34 in the fourth quarter, which was 24% lower than the same period in 2016. The decrease in the fourth quarter was primarily attributable to a 16% decrease in oil sales volumes during the fourth quarter of 2017 as compared to 2016. For the twelve months ended December 31, transportation expenses were \$1,577 for 2017 or 23% higher than \$1,281 for the comparable period in 2016. Aggregate costs were higher for the twelve month period in 2017 primarily due to higher produced volumes (24% higher volumes in the fourth quarter and 14% for the year to date). For the twelve months ended December 31, the per boe basis costs were \$0.43 in 2017 or 7% higher than the \$0.40 incurred in 2016. The higher per boe rates experienced in the fourth quarter of 2017 reflect the higher transportation rates associated with the newly acquired property in April. Journey is currently expecting the per boe rates for 2018 to be in the \$0.45 range. 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.

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 December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Transportation expense	332	352	(6)	1,577	1,281	23
Expense (\$ per boe)	0.34	0.45	(24)	0.43	0.40	7
Expense (% of P&NG sales)	1.1	1.3	(15)	1.4	1.5	(7)

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the fourth quarter of 2017, net G&A expense after recoveries, was 9% higher than the same quarter in 2016 at \$2,659 as compared to \$2,448. For the twelve months ended December 31, 2017 net G&A expense was 7% lower at \$10,322 as compared to \$11,042 in 2016. On a per boe basis, Journey realized net G&A of \$2.75 for the fourth quarter of 2017, or 12% lower than the \$3.13 realized in 2016. This decrease in the per boe rate was mainly attributable to a 14% increase in production volumes in 2017 coupled with net G&A costs decreasing with a lower staff complement than the Company had in 2016. For the twelve months ended December 31, net G&A was \$2.84 in 2017 or 18% lower than \$3.46 in 2016. For 2018 Journey expects its G&A to be approximately \$3.00 per boe based on currently forecast G&A costs and production levels.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Gross expense	3,593	3,284	9	13,653	14,051	(3)
Less:						
Overhead recoveries	(607)	(435)	40	(2,151)	(1,959)	10
Capitalized G&A	(327)	(401)	(18)	(1,180)	(1,050)	12
Net expense per financial statements	2,659	2,448	9	10,322	11,042	(7)
Expense (\$ per boe)						
Gross expense	3.72	4.20	(11)	3.75	4.40	(15)
Net expense	2.75	3.13	(12)	2.84	3.46	(18)

FINANCE EXPENSE

Finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion of the promissory notes and other bank charges. The cash expenses for interest and bank fees for the fourth quarter of 2017 increased by 29% to \$1,669 from \$1,297 in 2016. For the fourth quarter of 2017, the average borrowings outstanding were \$100,835 which was a 20% increase from \$84,347 for the comparable period in 2016. The increase in interest expense was primarily attributable to the higher cost interest bearing debt outstanding as compared to 2016 as well as the increased debt related to the acquisition in the second quarter. On a per boe basis, cash finance expense was \$1.72 in the fourth quarter of 2017 as compared to \$1.66 for 2016, representing a 4% increase period over period. The per boe rate increased in the fourth quarter as the rise in production levels was more than offset by the higher borrowing costs. The effective interest rate on the outstanding debt for the quarter was 6% higher between the comparable quarters with the current quarters' effective rate being 6.6% while the rate in 2016 was 6.2%. For the year to date the effective rate was 6.1% in 2017 while the rate in 2016 was 5.4%. The higher cost term debt and the increase in bank prime rates in 2017 are accountable for the higher rate in the current year.

For the comparable twelve month periods, cash finance expense for 2017 increased 15% to \$5,646 from \$4,919 in 2016. On a per boe basis, cash finance expense was \$1.55 for 2017 as compared to \$1.54 for 2016, representing a 1% increase.

For 2018 Journey expects the average debt outstanding to decrease as Journey plans on spending less than its funds flow and concentrates on reducing its bank borrowings in light of the additional leverage used to finance the share buyback in January.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Expense per financial statements	2,763	2,227	24	9,813	8,192	20
<u>Add/(Deduct) non-cash items:</u>						
Accretion on decommissioning liabilities	(979)	(829)	18	(3,721)	(3,171)	17
Accretion on promissory notes	(115)	(101)	14	(447)	(101)	343
Cash finance expense	1,669	1,297	29	5,645	4,920	15
<u>Add/(deduct) non-borrowing related items:</u>						
Finance income and other	66	(1)	6,700	32	(1)	3,300
Interest expense related to borrowings	1,735	1,296	34	5,677	4,919	15
Average debt outstanding	100,835	84,347	20	93,469	92,053	2
Average interest rate (%)	6.6	6.2	6	6.1	5.4	13
Cash finance expense (\$ per boe)	1.72	1.66	4	1.55	1.54	1

SHARE BASED COMPENSATION

Share based compensation expense was \$548 for the fourth quarter of 2017 as compared to \$674 in 2016. For the twelve months ending December 31, the expense was \$2,735 for 2017, a decrease of 7% from the \$2,937 expensed in 2016. In the fourth quarter of 2017, 1,560 long term incentives were issued while 772 were settled or exercised. Given the lower share price and in turn the lower fair value when the new incentives were issued, the amortization of the first few months of the new issuances was lower than that experienced in 2016. The Company capitalized \$176 of share based compensation expense to property, plant and equipment in the fourth quarter of 2017 as compared to \$128 in 2016. For the twelve months ended December 31, 2017 the capitalized portion was \$568 compared to \$535 in 2016. The capitalization was attributable to technical staff directly related to exploration and development activities and is lower in 2017 due to reduced capital activity. The fair value of all stock options is amortized over the long term incentives vesting period.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Expense per financial statements	548	674	(19)	2,735	2,937	(7)
Expense (\$ per boe)	0.57	0.86	(34)	0.75	0.92	(18)

DEPLETION AND DEPRECIATION ("D&D")

Aggregate D&D increased from \$6,253 in the fourth quarter of 2016 to \$9,449 in 2017. The 51% increase primarily reflects the 24% increase in production volumes in 2017 as compared to 2016 but also reflects the net reversal of property, plant and equipment impairments of \$81,046 in the fourth quarter of 2016. The impairment reversal

increased the depletion base significantly coming into 2017 and therefore caused a higher depletion rate for 2017. For the quarter, and on a per boe basis, D&D was \$9.76 for 2017 as compared to \$7.99 in 2016, representing a 22% increase.

For the twelve months ending December 31, aggregate D&D increased 24% from \$28,008 in 2016 to \$34,853 in 2017. On a per boe basis D&D was \$9.58 in 2017, a 9% increase from \$8.78 in 2016.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Depletion and depreciation (\$)	9,449	6,253	51	34,853	28,008	24
Expense (\$ per boe)	9.76	7.99	22	9.58	8.78	9

EXPLORATION AND EVALUATION (“E&E”) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed during the accounting period. During the three months ended December 31, 2017 Journey incurred an expense of \$1,860 which was 454% higher than the \$336 expensed in 2016. For the twelve months ended December 31, 2017 the expense was \$3,703 as compared to \$3,229 in 2016.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
E&E expense	1,860	336	454	3,703	3,229	15
\$ per boe	1.92	0.43	347	1.02	1.01	1

IMPAIRMENTS & REVERSALS

The Company tests its Cash Generating Units (“CGUs”) for impairment as well as the potential reversal of prior period impairments where indicators of impairment or reversal are present. As at December 31, 2017 Journey determined there were indicators based on the combination of a sustained decline in forward natural gas pricing used by the independent reserve engineers; an increase during 2017 of Journey’s natural gas production and reserves from its acquisition activity; and technical reserve revisions.

It was determined that the property, plant and equipment (“PP&E”) carrying amounts of the Matziwin, Pembina, Pine Creek, Sylvan Lake, and Crystal CGUs exceeded their recoverable amount. Recoverable amount was calculated as the fair value of the assets less cost of disposal. The fair value less cost to dispose was determined with a discounted cash flow approach based on the year-end proved plus probable reserves and using an average of three reserve engineer’s forecast commodity prices. Journey used a risk adjusted discount rate that varied by CGU based on the nature of the assets held in each CGU to determine the fair value at the measurement date (level 3 inputs). The impairment was attributed to property, plant and equipment and, as a result, an impairment loss of \$50,328 was recorded for the year. The following table summarizes the impairments, recoverable amount and discount rate used for each CGU that was impaired during the year ended December 31, 2017.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment
Matziwin	50,420	10.0	13,342
Pembina	6,418	10.0	4,614
Pine Creek	6,712	14.6	6,430
Sylvan Lake	56,986	13.6	15,168
Crystal	55,908	13.8	10,774
	176,444		50,328

The impairment in these five CGUs was primarily attributable to the decline in future natural gas prices for as used in the independent reserve evaluation as well as well performance in the Sylvan and Crystal CGUs. A one percent increase in the assumed discount rate would result in an additional impairment of \$16,344 for 2017 (2016 – \$5,773) while a ten percent decrease in future planned cash flows would have increased the impairment for 2017 by \$27,084 (2016 - \$13,156).

Journey further determined that as at December 31, 2017, the Herronton and Countess CGU’s recoverable amounts were greater than their carrying values and consequently an impairment reversal of \$11,062 should be done.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment reversal
Herronton	27,194	12.0	10,634
Countess	45,814	13.8	428
	73,008		11,062

The table below summarizes the benchmark prices for the next thirteen years used by the independent reserve evaluators in preparing the Company’s reserve report.

In addition, Journey recognized an impairment of its exploration and evaluation assets of \$333 in the fourth quarter of 2017 as compared to \$1,674 in 2016. Management determined that the fair value less costs of disposal of certain undeveloped lands had declined below Journey’s carrying values. Fair value was determined by management by analyzing comparable Crown mineral rights sales in each of the respective CGUs.

\$ 000's	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
E&E impairment	333	1,674	(80)	333	1,674	(80)
PP&E impairment	50,328	22,347	125	50,328	22,347	125
PP&E impairment reversal	(11,062)	(103,393)	(89)	(11,062)	(103,393)	(89)
Net impairments (reversals)	39,599	(79,372)	(150)	39,599	(79,372)	(150)
\$/BOE						
E&E impairment	0.34	2.14	(84)	0.09	0.52	(83)
PP&E impairment	52.00	28.56	125	13.84	7.01	125
PP&E impairment reversal	(11.43)	(132.14)	(89)	(3.04)	(32.43)	(89)
Net impairments (reversals)	40.91	(101.44)	(140)	10.89	(24.90)	(144)

GAIN ON DISPOSITION OF ASSETS

During the twelve months ended December 31, 2017 Journey sold two producing properties in the Brooks and Sylvan Lake areas. The dispositions resulted in a net gain of \$5,596 for the year to date.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Gain on disposition	-	(80)	(100)	5,596	25,604	(78)
\$ per boe	-	(0.10)	(100)	1.54	8.03	(81)

DEFERRED INCOME TAX

For the fourth quarter of 2017, there was a deferred income tax expense of \$91,525 as compared to an expense of \$23,276 for the same period in 2016. For the twelve months ended December 31, the deferred income tax expense for 2017 was \$94,638 as compared to \$25,462 for the same period in 2016. The majority of the expense for the fourth quarter of 2017, and in turn for the year to date, was attributable to the derecognition of tax pool balances carried forward to future years. This derecognition was due to Management's assessment that it was not probable that certain successor resource tax pools, as well as certain non-successored resource tax pools and losses, would be able to be utilized in future years. This assessment was based primarily on the projected future cash flows in the reserve report prepared by Journey's independent reserve evaluators as at December 31, 2017. The combination of lower anticipated future natural gas prices, and Journey's shift towards a higher gas weighting during 2017, caused Management to re-evaluate the potential to utilize the available tax pools. The total derecognition of deferred income tax assets related to this assessment in the fourth quarter of 2017 was \$104,115. Journey still has available \$721,595 in income tax deductible pools for future utilization should they generate sufficient taxable income. Given Journey's significant tax pools and projected capital spending profiles the Company does not expect to be cash taxable into the foreseeable future. However, a dramatic increase in commodity prices could change this outlook.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Deferred tax expense	91,525	23,276	293	94,638	25,462	272
(\$ per boe)	94.56	29.75	218	26.03	7.99	226

The undeducted income tax pool balances at the end of 2017, before impairment, were as follows:

Tax Pool	Deductible rate	Amount
Canadian oil & gas property expense	10% declining balance	153,185
Canadian development expenses	30% declining balance	270,735
Canadian exploration expenses	100%	47,825
Undepreciated capital costs	7-100% declining balance	167,946
Financing costs	5 year straight line	2,792
Non-capital losses	100%	79,112
Total		721,595

Should commodity prices increase dramatically in the future such that these tax pools are drawn down, a reversal of the aforementioned deferred tax asset impairment will be evaluated.

NETBACKS

The operating netback of \$14.01 per boe for the fourth quarter of 2017 decreased by 16% from \$16.60 for the same period in 2016. For the twelve months ended December 31, the operating netback was \$12.56 per boe for 2017 which was a 3% increase from \$12.21 in 2016. The decrease in the fourth quarter 2017 operating netback was mainly attributable to the 6% decrease in average commodity prices. For the twelve months in 2017 the operating netback increase was relatively flat with 2016 as the 11% increase in average commodity prices were offset by increases in royalties, operating expenses and transportation expenses. Approximately \$0.80 per boe for the fourth quarter, and \$1.24 per boe for the year to date of operating expenses relate to non-recurring workover, spill, turnaround and pipeline integrity costs.

The funds flow netback per boe for the fourth quarter of 2017 was 5% lower at \$10.16 compared to \$10.68 in 2016. While the realized hedging gains were 155% higher during the quarter and Journey realized 12% lower G&A costs through head office efficiencies, this was not enough to offset the lower commodity prices and the higher royalties and operating expenses. For the twelve month periods, the funds flow netback was virtually the same in both periods at \$8.56 in 2017 and \$8.62 in 2016.

Two large non-cash related items were the main reasons behind the large loss in the fourth quarter of 2017. Net impairments of \$40.91 per boe in 2017 reversed the large impairment recovery in 2016 of \$101.44 per boe. In addition, the large deferred income tax expense in 2017 of \$94.56 per boe was mainly the result of the de-recognition of a significant portion of the deferred tax asset balance. The net impact in the fourth quarter was a loss of \$143.43 per boe.

For the twelve months year to date in 2017 Journey realized a loss of \$36.58 per boe compared to \$16.50 per boe of net income in 2016.

(\$ per BOE)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Realized price	31.32	33.46	(6)	30.27	27.36	11
Royalties	(4.48)	(4.16)	8	(3.87)	(3.11)	24
Operating expenses	(12.49)	(12.25)	2	(13.41)	(11.64)	15
Transportation expenses	(0.34)	(0.45)	(24)	(0.43)	(0.40)	7
Operating	14.01	16.60	(16)	12.56	12.21	3
General and administrative	(2.75)	(3.13)	(12)	(2.84)	(3.46)	(18)
Finance expense - cash	(1.72)	(1.66)	4	(1.55)	(1.54)	1
Realized gain (loss) on derivative contracts	0.62	(1.13)	(155)	0.39	1.41	(72)
Funds flow	10.16	10.68	(5)	8.56	8.62	(1)
Transaction costs	(0.01)	(0.20)	(95)	(0.17)	(0.06)	183
Unrealized gain (loss) on derivative contracts	(4.73)	(8.57)	(45)	2.91	(5.26)	(155)
Share based compensation	(0.57)	(0.86)	(34)	(0.75)	(0.92)	(18)
Depletion and depreciation	(9.76)	(7.99)	22	(9.58)	(8.78)	9
Finance expense - accretion	(1.13)	(1.19)	(5)	(1.15)	(1.03)	12
Recoveries (impairments)	(40.91)	101.44	(140)	(10.89)	24.90	(144)
Loss (gain) on dispositions	-	(0.10)	(100)	1.54	8.03	(81)
Exploration & evaluation expense	(1.92)	(0.43)	347	(1.02)	(1.01)	1
Deferred tax (expense) recovery	(94.56)	(29.75)	218	(26.03)	(7.99)	226
Net income (loss)	(143.43)	63.03	(327)	(36.58)	16.50	(322)

FUNDS FLOW AND NET INCOME

Funds flow from operations during the fourth quarter of 2017 was \$9,829, an increase of 18% from \$8,354 realized in 2016. For the twelve months ended December 31, funds flow from operations increased 13% from \$27,472 in 2016 to \$31,126 in 2017. The increase was significantly attributable to a 16% and 26% increase in P&NG sales for the fourth quarter and twelve months ended December 31 respectively. The increase in PN&G revenue was primarily the result of increases in production volumes (24% and 14% respectively for the three and twelve month periods) but also significant realized hedging gains of \$600 in the fourth quarter and \$1,420 for the year to date.

There was a net loss of \$138,841 in the fourth quarter of 2017 as compared to net income of \$49,314 in 2016. The net loss was caused by a variety of factors but was primarily the result of the large deferred income tax asset impairment as well as asset impairments in the fourth quarter. Both of these items were the direct result of the declining, forward-looking natural gas prices in the independent reserve report prepared as at December 31, 2017. For the twelve month periods, the net loss was \$133,021 in 2017 as compared with net income of \$52,593 in 2016. The large swing from asset impairment recoveries in 2016 compared to an impairment loss in 2017 was one of the key drivers to this change.

During the fourth quarter of 2017, Journey realized a net loss per basic and diluted share of \$2.72. The net loss per share for the twelve months of 2017 was \$2.69 for both basic and diluted shares. This compares to net income of \$1.13 per basic and diluted share for the three months ended December 31, 2016 and \$1.21 per basic and diluted share for the twelve months ended December 31, 2016.

Fourth quarter funds flow per share in 2017 was \$0.19 per basic and \$0.19 per diluted share which was identical to the \$0.19 per basic and diluted share amounts for the fourth quarter of 2016. For the twelve months ended December 31, funds flow per share in 2017 was \$0.63 per basic and \$0.62 per diluted share in 2016.

Per share data	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Net income (loss)	(138,841)	49,314	(382)	(133,021)	52,593	(353)
Basic (\$/share)	(2.72)	1.13	(341)	(2.69)	1.21	(322)
Diluted (\$/share)	(2.72)	1.13	(341)	(2.69)	1.21	(322)
Funds flow	9,829	8,354	18	31,126	27,472	13
Basic (\$/share)	0.19	0.19	-	0.63	0.63	-
Diluted (\$/share)	0.19	0.19	-	0.62	0.63	(2)

CAPITAL EXPENDITURES

Journey spent \$9,835 on capital expenditures (before acquisitions/dispositions) during the fourth quarter of 2017 representing an increase of 6% from \$9,314 in 2016. The fourth quarter 2017 capital program was mainly devoted to drilling 2 (2.0 net) wells including one in each of the Crystal and Herronton areas. Both of these wells were placed on production during the quarter.

Total net cash capital expenditures for the 2017 year were \$65,628 as compared to \$6,962 for 2016. Throughout 2017, capital was spent in approximately equal splits between organic exploration and development projects of \$32,238 and \$33,306 in acquisition and divestiture ("A&D") activity. The largest single component of the 2017 A&D activity was the 2,000 boe/d (72% natural gas) acquisition in April for just under thirty five million dollars. This acquisition was balanced with the disposition of Journey's Sylvan Lake producing property for \$5,145.

	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Cash expenditures:						
Land acquisitions and lease rentals	102	151	(32)	1,001	406	147
Geological and geophysical	21	-	-	1,117	3	37133
Drilling and completions	6,225	7,189	(13)	19,859	9,700	105
Well equipment and facilities	3,152	1,574	100	9,081	5,127	77
Capitalized general and administrative	327	400	(18)	1,180	1,049	12
Exploration and development expenditures	9,827	9,314	6	32,238	16,285	98
Other expenditures	8	-	-	84	18	367
Total capital expenditures	9,835	9,314	6	32,322	16,303	98
PP&E acquisitions	1,492	311	379	37,014	4,852	663
PP&E dispositions	-	203	(100)	(6,633)	(13,277)	(50)
Acquisition of E&E assets	1	(120)	(100)	2,925	(916)	(419)
Net capital expenditures	11,328	9,708	17	65,628	6,962	843
Non-cash expenditures:						
Capitalized share based compensation	176	128	38	568	535	6
Capitalized decommissioning liability	233	176	32	827	526	57
Total capital expenditures	11,737	10,012	17	67,023	8,023	735

	Three months ended December 31,				Twelve months ended December 31,			
	2017		2016		2017		2016	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development wells	2	2.0	5	4.1	12	11.5	7	6.1
Success rate (%)	100	100	100	100	83	83	100	100

UNDEVELOPED LAND HOLDINGS

The undeveloped land holdings at December 31, 2017 are as follows:

Area	Gross Acres	Net Acres	Average WI %
Windfall/Niton	29,200	21,979	75
Herronton	24,184	21,682	90
Gilby	18,636	14,781	79
Matziwin	13,441	13,195	98
Cherhill	12,518	6,881	55
Brooks	12,640	8,960	71
Crystal	11,048	8,065	73
Other Alberta	41,978	29,252	70
Total	163,645	124,795	76

LIQUIDITY AND CAPITAL RESOURCES

Corporate working capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. As new reserves are added and as the financing needs of the Company are expanded, Journey may apply for interim reviews of the credit facility with a view to upgrading it.

The funding sources for Journey's net cash capital expenditures were as follows:

Capital Program Funding	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Funds flow from operations	9,829	8,354	18	31,126	27,472	13
Transaction costs	(14)	(157)	(91)	(628)	(185)	229
Decommissioning costs	(233)	(176)	(34)	(827)	(526)	57
Change in non-cash working capital	998	903	11	5,131	(9,881)	152
Increase (decrease) in bank debt	6,950	(30,000)	123	17,617	(37,537)	147
Decrease (increase) in cash in bank	(8,227)	893	(10,213)	(6,643)	(2,272)	192
Increase in promissory notes	-	30,000	(100)	-	30,000	(100)
Normal course issuer bid	70	-	-	(2,160)	-	-
Option/warrant exercises	-	22	(100)	-	22	(100)
Deferred financing charges	-	-	-	(80)	-	-
Settlement of restricted share units	(278)	(131)	112	(289)	(131)	121
Issuance of share capital	2,233	-	-	22,381	-	-
Net capital expenditures	11,328	9,708	17	65,628	6,962	843

For the three months ended December 31, 2017, the Company funded its \$11,328 in net capital expenditures primarily from accounts payable; funds flow from operations; issuance of shares; and with available cash in the bank.

As at December 31, 2017 bank debt outstanding was approximately \$70 million, representing approximately 56% of the total credit facilities of \$125 million. In January of 2018, the Company closed on the acquisition of 12,700 shares from its largest shareholder at a gross cost of \$21,336. To finance the acquisition, Journey obtained a new term debt loan in the principal amount of \$22,000. Because of the increased leverage related to the share repurchase, Journey re-evaluated its capital spending plans for 2018 and reduced it from a planned expenditure level of \$40 million to the revised level of \$30 million. In addition, and with the intent of reducing leverage, Journey continued to evaluate non-core assets with a view to disposing of them at reasonable prices. Journey also 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 believes these resources to be sufficient to fund these expenditures.

Journey currently has a \$125,000 credit facility with a syndicate of banks. This facility is comprised of a production facility of \$110,000 and a working capital facility of \$15,000. The credit facility is currently undergoing its scheduled annual review and is currently anticipated to be completed by the end of April. Until the review is complete and in connection with the additional leverage associated with the share buyback, the banking syndicate requires Journey to obtain written consent from the banks to draw any amount between \$100 million and \$125 million. Until the current renewal is complete, Journey does not currently anticipate having a need to draw amounts on the bank line above where it is currently drawn at (\$70 million). At maturity, and upon a request from Journey, and subject to the syndicates' approval, the facilities may be extended by one year.

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.

DECOMMISSIONING LIABILITIES (“DL”)

At December 31, 2017, Journey has recorded a DL of \$175,495 (\$149,296 at December 31, 2016) 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 December 31, 2017 (December 31, 2016 – 2.2%).

Accretion charges of \$979 and \$3,721 for the three and twelve months ended December 31, 2017 (\$829 and \$3,171 for the same periods in 2016), 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 and twelve months ended December 31, 2017 was \$233 and \$827 (\$176 and \$526 for the same periods in 2016), respectively.

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 December 31, 2017 and at the date of this MD&A.

RELATED PARTY TRANSACTIONS

- a) The Company considers its directors and executives to be key management personnel and are therefore related parties. Compensation for these individuals is comprised of the following:

	2017	2016
Salaries and severance	1,229	2,393
Short-term employee benefits	560	298
Share based payments (i)	1,348	1,172
	3,137	3,863

- (i) These amounts represent the amortization of share based compensation associated with the Company’s share based compensation plans.
- (ii) As at December 31, 2017 there were eleven (2016 – ten) individuals that were considered key management personnel.
- (iii) At December 31, 2017 there is a \$2,614 commitment (2016 - \$2,958) relating to a change of control or termination of employment for key management personnel.
- b) An officer of the Company purchased 20 flow through shares for gross proceeds of \$44 in the private placement, which closed on October 11, 2017

The related party transactions above were recorded at the above disclosed exchange amounts. Management believes the amount agreed upon between the parties is reflective of comparable fair market value transactions.

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	1,437	684	647	106	-
Operating leases	11,711	1,943	3,821	3,756	2,191
Total	13,148	2,627	4,468	3,862	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.

SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2017:

- a) On February 2, 2018 Journey purchased 12,700 common shares from its largest shareholder at an aggregate cost of \$21,336 or \$1.68 per share. The shares repurchased were subsequently cancelled.
- b) On January 31, 2018 Journey closed a \$22,000 promissory note financing. The promissory notes mature on September 30, 2022. As part of the financing the issuer also received 2,310 warrants with an exercise price of \$2.51 per warrant. The warrants are exercisable into common shares of Journey on a one for one basis and expire on June 1, 2020.
- c) In connection with the share repurchase and the promissory note financing above, and continuing until the currently ongoing borrowing base review is completed, aggregate borrowings under the Company's credit facility may not exceed \$100,000 without the unanimous consent of the lenders.

d) Subsequent to December 31, 2017 Journey entered into the following financial derivative transactions.

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	<i>Term</i>
Swap	500	WTI NYMEX	CDN\$76.00	April 1, 2018 to June 30, 2018
Swap	500	WTI NYMEX	CDN\$76.00	July 1, 2018 to September 30, 2018
Swap	1,000	WTI NYMEX	CDN\$71.50	April 1, 2019 to June 30, 2019
Swap	500	WTI NYMEX	CDN\$74.00	October 1, 2018 to March 31, 2019

SHARE CAPITAL

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

<i>(000's)</i>	March 13, 2018	December 31, 2017	December 31, 2016
Common shares outstanding	38,546	51,240	43,703
Options, warrants, restricted share units and performance share units	7,121	7,130	6,382
Fully diluted shares	45,667	58,370	50,085
Weighted average common shares			
Basic	N/A	49,390	43,632
Diluted	N/A	49,390	43,632

During 2017 Journey issued 7,211 shares. 4,950 were issued upon the exercise of warrants in March while 2,261 were issued as part of the consideration for an asset acquisition as well as the advisory fees related thereto in April. On October 2, 2017, 576 shares were issued to employees in settlement of long term incentive awards. On October 11, 2017 Journey issued 1,020 shares pursuant to a flow through share private placement at a price per share of \$2.20. The performance share units included in the fully diluted number in the above table assumes a multiplier of one (1) times for their potential conversion into common shares upon vesting.

Pursuant to the Normal Course Issuer Bid ("NCIB"), the Company repurchased 1,270 shares in 2017 as follows:

<i>(000's)</i>	Number of shares	Cost	Average Cost per Share
Second quarter, 2017	10	18	\$ 1.80
Fourth quarter, 2017	1,260	2,142	\$ 1.70
Total	1,270	2,161	\$ 1.70

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the eight most recently completed quarters:

	Dec. 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Production (boe/d)	10,521	10,088	10,194	9,027
Average prices realized (\$/boe, excluding hedging)	31.32	25.29	31.92	32.85
Petroleum and natural gas sales	30,311	23,471	29,613	26,690
Net income (loss)	(138,841)	(6,059)	7,959	3,920
Basic – per share (\$/share)	(2.72)	(0.12)	0.16	0.09
Diluted – per share (\$/share)	(2.72)	(0.12)	0.16	0.09
Funds flow	9,829	4,843	9,708	6,746
Basic – per share (\$/share)	0.19	0.10	0.19	0.15
Diluted – per share (\$/share)	0.19	0.09	0.19	0.15
Total assets	416,983	532,161	554,933	489,473
Net capital expenditures	11,328	9,408	34,477	10,415
Long term financial liabilities	201,759	195,070	211,038	179,315
Net debt	103,021	103,385	96,554	77,416
Dividends paid	-	-	-	-

	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016 ⁽¹⁾
Production (boe/d)	8,505	8,177	8,640	9,533
Average prices realized (\$/boe)	33.46	29.98	26.01	20.81
Petroleum and natural gas sales	26,181	22,553	20,450	18,055
Net income (loss)	49,314	18,383	(9,714)	(5,390)
Basic – per share (\$/share)	1.13	0.42	(0.22)	(0.12)
Diluted – per share (\$/share)	1.13	0.42	(0.22)	(0.12)
Funds flow from operations	8,354	7,571	8,218	3,329
Basic – per share (\$/share)	0.19	0.17	0.19	0.08
Diluted – per share (\$/share)	0.19	0.17	0.19	0.08
Total assets	484,016	473,452	471,571	455,389
Net capital expenditures	9,708	(10,886)	4,421	3,719
Long term financial liabilities	177,045	2,610	-	-
Net debt	86,916	85,048	103,477	107,019
Dividends paid	-	-	-	-

Note 1: The March 31, 2016 results have been revised to correct an overstatement of operating expenses by \$2,184.

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:

- 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 from operations 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 from operations 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 from operations 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.
- 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 fourth 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 fourth quarter.

SELECTED ANNUAL INFORMATION

	December 31, 2017	December 31, 2016	December 31, 2015
Petroleum and natural gas sales	110,085	87,239	119,907
Net income (loss)	(133,021)	52,593	(111,337)
Basic – per share (\$/share)	(2.69)	1.21	(2.55)
Diluted – per share (\$/share)	(2.69)	1.21	(2.55)
Total assets	416,983	484,016	452,116
Total non-current liabilities	201,759	177,046	255,905
Dividends paid	-	-	6,465

Journey's aggregate P&NG sales in 2017 of \$110,085 were 26% higher than \$87,239 in 2016. This increase was the result of a 14% increase in production volumes as well as an 11% increase in average commodity prices. Net income of \$52,593 turned into a \$133,021 net loss in 2017 as impairments of both PP&E and income tax assets significantly impacted net earnings. Total assets in 2017 decreased due to the associated impairments. The increase in total non-current liabilities during 2017 was significantly attributable to the increase in decommissioning liabilities associated with the property acquisition in April. At the same time total borrowings increased during 2017 as the acquisitions were primarily done through the credit facilities.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the twelve months ended December 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, 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, 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

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. IFRS 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively, treating all leases as finance leases. Short term leases of less than 12 months and leases of low value assets are exempt from the requirements and can continue to be treated as operating leases. Lessors will continue with the dual classification and that classification will determine how and when lease revenue will be recognized and what assets will be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "*Revenue From Contracts With Customers*" has already been adopted. Journey is currently assessing the impact of IFRS 16 on the Company's financial statements and the merit of early adoption.

On July 24, 2014, The IASB issued the final version of IFRS 9, "*Financial Instruments*" (IFRS 9) to replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39) IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income instead of net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Journey does not currently apply hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. Journey has assessed the impact of the standard and it is not expected to have a material impact on the Company's financial statements.

On May 28, 2014, the IASB issued IFRS 15, "*Revenue from Contracts with Customers*" ("IFRS 15"). IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Expanded disclosure requirements are also part of the standard. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. The standard is required to be either adopted retrospectively in full or using a modified approach where prior numbers remain and the retrospective effect is an adjustment to retained earnings. Journey has reviewed the underlying contracts that generate our revenue streams and determined that the standard will have no material impact on the Company's financial statements aside from enhanced

disclosure related to revenue. The standard will result in a change in presentation between petroleum and natural gas sales and operating expenses with no impact on consolidated net income. The Company has retrospectively adopted this standard on the effective date of January 1, 2018.

CRITICAL ACCOUNTING ESTIMATES

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 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.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount which involves an estimate of uncollectible amounts. The Company regularly assesses the counter party's financial strength and provides an estimate of uncollectible amounts based on several factors which include aging, the party's credit worthiness and the nature of the receivable.

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 and practical, the Company requires cash calls from its partners on capital projects before they commence. 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.

Derivatives

The fair value of derivative contracts are based on published market prices as at the balance sheet date and may differ from what will eventually be realized. During the period of the contracts, changes in the fair value of the derivative contracts are recognized in statement of comprehensive income (loss). The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices which 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. The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

Commodity price volatility from period to period can have a dramatic effect on the recorded realized and unrealized gains and comprehensive income or loss for any reporting period.

Oil and gas reserves

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with the National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. The key estimates used in the determination of funds flows from oil and natural gas reserves include the following:

- i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
- ii) Oil and natural gas prices – Forward price estimates are used in the funds flow models. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
- iii) Discount rate – The discount rate used to calculate the net present value of funds flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on net earnings as further information becomes available and as the economic environment changes.

Purchase price allocations and calculations of depletion and depreciation, impairment and deferred income tax assets are based on estimates of oil and gas reserves. Reserves estimates are based on engineering data, estimated future prices, expected future rates of production and timing of future capital expenditures. By their nature, these estimates are subject to measurement uncertainties and interpretations and the impact on the financial statements could be material. The Company expects that over time, its reserves estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and may be affected by changes in commodity prices.

Depletion and depreciation

Depletion of oil and gas properties is provided using the unit-of-production method and is based on production volumes (before royalties) in relation to total estimated proved and probable reserves as determined by internal reserve evaluations for the first three quarters of the year and then at year-end by the Company's independent engineers. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet

to one barrel of oil. Calculations for depletion of oil and gas properties including production equipment and facilities are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated salvage value of production equipment and facilities after the reserves are fully produced. Exploration and evaluation costs are excluded from depletion calculations.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in proved and probable reserves.
- Changes in estimates of future development costs.
- The effect on proved and probable reserves of differences between actual production as compared to forecasts as well as commodity price assumptions.
- Unforeseen operational issues.

Exploration and evaluation (“E&E”) assets

The decision to transfer assets from E&E to property, plant and equipment is based on the estimated proved and probable reserves which are in part used to determine a project’s technical feasibility and commercial viability. Upon determination of economic recoverable reserves, the assets transferred include certain and determinable recorded costs drilling costs and apportionment of certain costs accumulated by property such as exploration licenses, leasehold acquisitions, seismic and evaluation costs that would be associated with the reserves. Such determination is not typically subject to trending.

Impairment/Recoveries

The recoverable amounts of Cash Generating Units (“CGU”), as defined below, and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs. Key assumptions in the determination of funds flows from reserves include reserves as estimated by the Company’s independent qualified reserve evaluators. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

The Company’s significant accounting policies are disclosed in note 3 to the audited consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results than reported. The Company’s management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results that differ materially from current estimates.

CGU definition

The determination of CGU’s requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU’s are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Recoverable amounts of CGUs

The recoverable amount of a CGU used in the assessment of impairment is the greater of its value-in-use (“VIU”) and its fair value less costs of disposal (“FVL COD”). VIU is determined by estimating the present value of the future net funds flows from the continued use of the CGU, and is subject to the risks associated with estimating the value of reserves. FVL COD refers to the amount obtainable from the sale of a CGU in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal.

Both VIU and FVL COD estimates include the estimated reserves values in their determination. The key assumptions and estimates of the value of oil and gas reserves and the existing and potential markets for the Company’s oil and gas assets are made at the time of reserves estimation and market assessment and are subject to change as new information becomes available. Changes in international and regional factors, including supply and demand of commodities, inventory levels, drilling activity, currency exchange rates, weather, geopolitical and general economic factors, may result in significant changes to the estimated recoverable amounts of CGUs.

Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of certain facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In addition, the Company determines the appropriate discount rate at the end of each reporting period. The Company uses the risk-free discount rate to determine the present value of the estimated future cash outflows to settle the obligation and may change in response to numerous market factors. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Share based compensation

The fair value of both the stock options and performance warrants granted are measured using the Black-Scholes option pricing model. Measurement inputs include the Company’s share price on the measurement date; the exercise price of the option; the expected volatility of the Company’s shares; the expected life of the options; expected dividends; and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options is based on historical experience and estimates of the holder’s behavior. Dividends are not factored in. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest. RSUs are granted to employees that vest over three years from issuance date, half on the second anniversary of issuance and half on the third anniversary of issuance. The Company also grants Performance Share Units (“PSUs”) to certain employees that cliff vest on the third anniversary date of issuance. The settlement method is at the discretion of the Company and may be either in cash or shares.

Income taxes

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Various assumptions are made in assessing when temporary differences will reverse and this may impact the rate used. Assessing the recoverability of deferred income tax assets requires significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast funds flows from operations and the application of existing tax laws in each jurisdiction in which the Company operates. To the extent that future funds flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be materially impacted.

The determination of the Company's income and other tax assets and liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset or liability may differ from that estimated and recorded by management. The Company estimates its future income tax rate in calculating its future income tax asset or liability.

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 December 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 long term incentive 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 to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than two-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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings or other reports are being prepared, and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P at December 31, 2016. Based on that evaluation, the CEO and CFO have concluded that the Company's DC&P are effective at the financial year end of the Company for the foregoing purposes.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the financial year end December 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 Corporation's 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 December 31, 2017. Based on that evaluation, the CEO and CFO have concluded that the ICFR are effective as of the end of the year, 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 fourth quarter of 2017

It should be noted that a control system, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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