



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on May 19, 2020 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three month periods ended March 31, 2020 and 2019. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2020 and 2019 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 (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, labor 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, the

COVID-19 pandemic and the impact on the worldwide economy, 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'.

Non-GAAP Measures

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

This MD&A uses the term "netback(s)". The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers netbacks as a key performance measure as it demonstrates the Company's profitability relative to current commodity prices. They are also used by Management in operational and capital allocation decisions. 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 the commodities sold (excluding financial hedging gains and losses), less royalties, transportation costs and operating expenses. "**Funds Flow netback**" starts with the operating netback and deducts general and administrative costs, interest expense and then adds or deducts any realized gains or losses on derivative contracts. To calculate the "**net income (loss) netback**", Journey takes the Funds Flow netback and deducts all non-cash expenses which includes: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; impairments; exploration and evaluation expenses; PP&E impairments and reversals; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

"**Funds Flow**" is calculated by taking "cash flow provided by operating activities" from the financial statements and adding or deducting: changes in non-cash working capital; transaction costs; lease payments; and decommissioning costs. Funds Flow per share is calculated as Funds Flow divided by the weighted-average number of shares outstanding in the period. Because Funds Flow and Funds Flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of performance than the GAAP measured "cash flow generated 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. The Company considers Funds Flow a key performance measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Journey's determination of Funds Flow may not be comparable to that reported by other companies. The reconciliation between cash from operating activities on the consolidated financial statements, and Funds Flow can be found in the table below. Journey also presents Funds Flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited, year-end consolidated financial statements. The reconciliation of Funds Flow to the GAAP measured cash flow from operating activities is presented in the following table:

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

	March 31, 2020	March 31, 2019	%
			Change
Cash flow provided by operating activities	1,319	5,918	(78)
<u>Add (deduct):</u>			
Changes in non-cash working capital	(1,911)	1,571	(222)
Transaction costs	1	7	(86)
Decommissioning costs incurred	386	226	71
Funds Flow	(205)	7,722	(103)

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

	March 31, 2020	December 31, 2019	%
			Change
Principal amount of bank indebtedness, less cash in bank	74,878	68,900	9
Principal amount of promissory notes	44,000	44,000	-
Accounts payable and accrued liabilities	19,405	27,715	(30)
<u>Deduct:</u>			
Accounts receivable	(8,246)	(15,193)	(46)
Prepaid expenses	(1,602)	(1,209)	32
Net debt	128,435	124,213	3

Abbreviations and BOE Advisory

<i>bbl</i>	<i>barrel</i>
<i>bbls</i>	<i>barrels</i>
<i>boe</i>	<i>barrels of oil equivalent</i>
<i>boe/d</i>	<i>barrels of oil equivalent per day</i>
<i>gj</i>	<i>gigajoules</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>Mbbls</i>	<i>thousand barrels</i>
<i>MMBtu</i>	<i>million British thermal units</i>
<i>NGL's</i>	<i>natural gas liquids</i>
<i>Mboe</i>	<i>thousand boe</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mmcf</i>	<i>million cubic feet</i>
<i>Mmcf/d</i>	<i>million cubic feet per day</i>
<i>MSW</i>	<i>Mixed sweet Alberta oil price</i>
<i>WCS</i>	<i>Western Canada Select oil price</i>
<i>WTI</i>	<i>West Texas Intermediate Oil price</i>

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

Amounts

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

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2020

Financial

Journey recorded Funds Flow of \$(205) in the first quarter of 2020 as the combination of a 36% decrease in average realized commodity prices, and a one-time bad debt charge of \$1.9 million which negatively impacted Funds Flow. The bad debt stemmed from a dispute with Journey’s natural gas purchaser, which Journey quickly mitigated by switching purchasers on April 1. Cash flow from operating activities was \$1,319 in the first quarter of 2020 as compared to \$6,313 in 2019. The net loss for the first quarter was \$65,441 (\$1.52 per basic and diluted share), which was significantly the result of the \$60,923 PP&E impairment charge taken. The Company spent capital of \$3,276 in the first quarter of 2020 and exited the quarter with net debt of \$128,435.

Capital spending

During the first quarter, Journey did not drill any wells as it conserved its capital. The \$3,276 of capital spent in the first quarter was primarily the development of the power generation project in Countess Alberta as well as necessary maintenance capital.

Production

Production decreased 1% in the first quarter of 2020 to average 9,325 boe/d versus 9,330 boe/d in the first quarter of 2019. Quarter over quarter production decreased 1% in the first quarter as compared to the fourth quarter of 2019 (9,463 boe/d). The decrease in production was mainly the result of natural declines as no new wells were brought on-production during the quarter.

Liquidity

The COVID-19 pandemic has caused much turmoil with oil and gas producer liquidity. Journey’s syndicated credit facility was being reduced by \$1 million per month from December 31 to April 30. The onset of the pandemic and the resulting decline in world oil prices caused a severe reductions in Funds Flow for the Company such that these reductions could not occur as scheduled. On April 24, 2020 Journey and its banking syndicate entered into a forbearance agreement such that while the agreement is in place, the banks will not action their security. The agreement caps the total syndicated bank line at \$77 million and expires on May 29, 2020. Journey expects to enter into discussions with the syndicate shortly to work towards a mutually acceptable way forward with respect to its borrowings.

Outlook

Starting on April 1 Journey shut-in approximately 1,500 boe/d (73% oil and NGL) due to the very low prices being received. The Company will continually evaluate whether to maintain with the lower level of production, bring these volumes back on-production, or increase the shut-in additional volumes. As a result of the unprecedented volatility in commodity prices and the rapid decisions needed to deal with this volatility, no formal guidance has been issued

for 2020. Exploration and development capital expenditures are projected to be approximately \$7-8 million for the year.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Daily sales volumes were flat quarter to quarter as Journey averaged 9,325 Boe/d for the first quarter of 2020 as compared to 9,330 Boe/d in 2019. Natural declines were mitigated by the four-well fourth quarter 2019 drilling program.

	Three months ended March 31, %		
	2020	2019	Change
Natural gas (Mcf/d)	28,822	29,339	(2)
Crude oil (Bbl/d)	3,808	3,886	(2)
Natural gas liquids (Bbl/d)	713	553	29
Barrels of oil equivalent (Boe/d)	9,325	9,330	-

Volumetric Product Mix

	Three months ended March 31, %		
% of Aggregate Production	2020	2019	Change
Natural gas	51	52	(2)
Crude oil	41	42	(2)
Natural gas liquids	8	6	33
Total	100	100	

The sales volume mix did not change materially quarter to quarter as natural gas production contributed 51% (2019 – 52%) of total sales volumes; oil volumes were 41% (2019 – 42%) and NGL's were 8% (2019 – 6%).

Benchmark Indices

	Three months ended March 31, %		
	2020	2019	Change
Crude Oil			
WTI (US\$/Bbl)	46.17	54.81	(16)
Canadian light (CDN\$/Bbl)	52.02	66.92	(22)
Western Canada Select (CDN\$/Bbl)	34.10	56.66	(40)
Natural Gas			
NYMEX (US \$/Mmbtu)	1.73	2.86	(40)
AECO - Daily (CDN\$/Mcf)	2.03	2.62	(23)
Foreign Exchange			
Canadian to US dollar	0.744	0.752	(1)
US to Canadian dollar	1.344	1.329	1

WTI oil prices decreased 16% in the first quarter of 2020 to average \$46.17 US/bbl as compared to \$54.81 US/bbl in the first quarter of 2019. The Canadian dollar declined marginally by 1% against the US dollar during the first quarter of 2020 which had a small positive effect on realized Canadian oil prices. Changes to the Canadian dollar vis a vis the US dollar are based on many factors including the strength of the Canadian economy, Canadian and US interest rates, the political environment and exports. The impact of WTI decreasing was offset somewhat from the decline in the Canadian dollar. The average Canadian light oil price decreased from an average of \$66.92/bbl in the first quarter of 2019 to \$52.02/bbl in the first quarter of 2020. A similar result was realized in WCS prices wherein the first quarter, the 2019 average price was \$56.66/bbl and for the first quarter of 2020 it was \$34.10/bbl.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 23% lower at \$2.03/mcf in the first quarter of 2020 as compared to \$2.62/mcf during the same period in 2019. The 2019/20 winter was relatively warm, and this coupled with ample natural gas in storage resulted in lower prices throughout the winter than those experienced in 2018/2019. Currently, AECO prices are strong for this time of year and Journey expects higher prices throughout 2020 than those experienced in 2019.

Realized Prices

Commodity prices realized by Journey were as follows:

a) Realized prices excluding commodity derivative contract gains and losses:

	Three months ended March 31,		
	2020	2019	% Change
Natural gas (\$/Mcf)	1.23	2.49	(51)
Crude oil (\$/Bbl)	40.03	57.90	(31)
Natural gas liquids (\$/Bbl)	19.00	33.31	(43)
Total (\$/boe)	21.61	33.94	(36)

The 51% decrease in realized natural gas prices led the 36% overall decrease in average corporate prices during the first quarter of 2020. The combination of a warm winter in North America and the US gas pricing diversification strategy resulted in significant natural gas price reductions from the AECO base price. This change in marketing strategy had the effect of decreasing Journey's realized natural gas prices below the historic 4-5% premium over AECO. Commencing on April 1, 2020 Journey's newly implemented gas marketing program exposes the Company to only AECO spot prices. Journey's realized oil price declined to \$40.03/bbl in the first quarter of 2020 compared to \$57.90/bbl in 2019. The beginnings of the COVID-19 pandemic and the resulting decrease in worldwide demand started in mid-March and caused a dramatic drop in realized oil prices. NGL prices decreased 43% to \$19.00/bbl in 2020 as compared to 2019.

b) Realized prices including commodity derivative contract gains and losses:

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

	Three months ended March 31,		
	2020	2019	% Change
Natural gas (\$/Mcf)	1.23	2.49	(51)
Crude oil (\$/Bbl)	46.72	57.10	(18)
Natural gas liquids (\$/Bbl)	19.00	33.31	(43)
Total (\$/boe)	24.34	33.61	(28)

The only realized price that was different than the unhedged price in the fourth quarter was oil. Oil prices in the first quarter of 2020 averaged \$46.72/bbl, 18% lower than the \$57.10/bbl realized in the first quarter of 2019.

RISK MANAGEMENT ACTIVITIES

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

At March 31, 2020, the Company had the following derivative contracts in place:

Crude Oil Contracts

Contract Type	Volume bbl/d	Reference Price	Contract price \$/bbl	Term	Asset (Liability)
Diff swap	500	WTI/USD	(6.50)	Calendar 2020	730
Swap	500	WTI/CAD	74.25	January to September 2020	3,142
Collar	500	WTI/CAD	66.00 – 81.00	Calendar 2020	3,344
Call	500	WTI/CAD	87.00 (prem \$1.45)	April to December 2020	26
Swap	500	WTI/CAD	81.50	February to June 2020	2,087
Diff swap	250	WCS/USD	(15.50)	April to September 2020	(46)
Diff swap	250	WCS/USD	(15.45)	April to September 2020	(43)
Net fair value asset – oil contracts					9,240

Natural Gas Contract

Contract Type	Volume gj/d	Reference Price	Contract price \$/bbl	Term	Asset (Liability)
Collar	5,000	AECO	1.40 – 1.75	April to October 2020	(41)
Net derivative contract asset					9,199

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

\$ 000's	Three months ended March 31,		
	2020	2019	% Change
Realized	2,319	(280)	(928)
Unrealized	9,654	(1,317)	(833)
Total	11,974	(1,597)	(850)

\$/boe	Three months ended March 31,		
	2020	2019	% Change
Realized	2.73	(0.33)	(927)
Unrealized	11.38	(1.57)	(825)
Total	14.11	(1.90)	(843)

The change in the value of these contracts for the quarter ended March 31, 2020 resulted in a realized gain of \$2,319 and an unrealized gain of \$9,655. At March 31, 2020 the estimated fair value of all commodity hedging contracts is a net asset of \$9,199. The large increase in the realized and unrealized gains have resulted from the large decrease in WTI oil prices in March resulting from the COVID-19 pandemic.

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

For the three months ended March 31, P&NG sales decreased 36% to \$18,336 in 2020 from \$28,498 in 2019. The decrease in sales was almost entirely attributable to the 36% decrease in average commodity prices as production volumes were flat between the quarters. Oil volumes contributed 76% of revenues in the first quarter of 2020 as compared to 71% in 2019 representing a 6% increase. The natural gas contribution decreased 24% from 23% in 2019 to 18% in 2020 because of the 51% decrease in natural gas revenues in 2020.

P&NG Sales (\$)	Three months ended March 31,		
	2020	2019	% Change
Natural gas	3,230	6,586	(51)
Crude oil	13,873	20,253	(31)
Natural gas liquids	1,233	1,659	(26)
Total	18,336	28,498	(36)

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

P&NG Sales (% Contribution)	Three months ended March 31,		
	2020	2019	% Change
Natural gas	18	23	(24)
Crude oil	76	71	6
Natural gas liquids	7	6	16
Total	100	100	

ROYALTIES

For the three months ended March 31, royalties were \$2,696 in 2020 as compared to \$3,266 for the same period in 2019 representing a 17% decrease. On a per BOE basis, the royalty rate decreased 18% to \$3.18 in 2020 as compared

to \$3.89 from last year. As a percentage of revenue, the rate for the first quarter of 2020 was 14.7% or 28% higher than the 11.5% realized in 2019. Despite average commodity prices being 36% lower, the royalty rate as a percentage of revenues increased as there was a higher base price for gross over-riding royalty payments on natural gas production than Journey's corporate realized price in the first quarter.

Royalties (\$)	Three months ended March 31,		
	2020	2019	% Change
Crown	1,409	1,387	2
Freehold/gross over-riding	1,287	1,879	(31)
Total royalties	2,696	3,266	(17)
Royalties (% of P&NG sales)	14.7	11.5	28

\$ / BOE	Three months ended March 31,		
	2020	2019	% Change
Crown	1.66	1.65	1
Freehold/gross over-riding	1.52	2.24	(32)
Total	3.18	3.89	(18)

NET OPERATING EXPENSES

For the three months ended March 31, net operating expenses (after expense recoveries) were \$11,761 or \$13.86 per boe in 2020 as compared to \$11,827, or \$14.09 per boe in 2019. For the comparative periods, operating costs (before recoveries) increased marginally by 1%, which is consistent with flat production volumes quarter to quarter. Expense recoveries increased 26% as third party processing volumes were higher at Journey operated facilities.

Operating expense per the financial statements (\$)	Three months ended March 31,		
	2020	2019	% Change
Operating expense per the financial statements (\$)	12,590	12,485	1
Less: expense recoveries (\$)	(829)	(658)	26
Net operating expenses (\$)	11,761	11,827	(1)
Net expense (\$ per BOE)	13.86	14.09	(2)
Net expense (as a % of P&NG sales)	68.7	43.8	57

TRANSPORTATION

Transportation expenses were \$452 for the three months ended March 31, 2020, or 2.5% of production revenue as compared to \$412 and 1.4% for 2019. Increased trucking rates were the main contributor to the aggregate cost increase since oil volumes declined marginally by 1%, but NGL volumes increased by 30% from 2019 levels. Transportation costs per boe averaged \$0.53 for the first quarter in 2020, or 8% higher than the same quarter in 2019. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended March 31, %		
	2020	2019	Change
Transportation expense (\$)	452	412	10
Expense (\$ per BOE)	0.53	0.49	8
Expense (% of P&NG sales)	2.5	1.4	79

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the first quarter of 2020, G&A expense increased 56% to \$3,479 in 2020 from \$2,225 in 2019. Gross G&A expense increased 50% from \$2,849 in 2019 to \$4,267 for the comparable three month period in 2020. The increase in gross G&A expense was primarily attributable to a bad debt related to a dispute Journey had with the purchaser of its natural gas. Journey's purchaser of natural gas demanded a contract performance assurance payment in late March, and before any alleged assurance was due, the net natural gas revenues for February (after deducting the physical hedging loss for that month) were retained by the purchaser. Journey proceeded on the basis that its contract with the purchaser was breached and proceeded to find a new purchaser for its natural gas effective April 1. However, the net revenues for March (due April 25) were also retained by the purchaser. The total value of the revenue retained by the purchaser was \$1,917 for the production months of February and March. Until Journey comes to a resolution on this matter with the purchaser, the Company has taken an allowance for the full amount withheld. Journey's further position is that this contract breach negated the balance of U.S. basket physical hedge and we have no further obligation under this contract. Consequently, starting on April 1 Journey is exposed 100% to AECO based pricing.

On a per BOE basis, Journey realized G&A expense of \$4.10/boe for the first quarter of 2020, or 55% higher than the \$2.65/boe in 2019. In order to reduce our cost structure Journey has reduced compensation levels by approximately 10%; temporarily furloughed approximately one-quarter of our workforce; and applied for benefits under the Canadian Emergency Wage Subsidy (CEWS) program.

	Three months ended March 31, %		
	2020	2019	Change
Expense per financial statements	3,479	2,225	56
Add:			
Overhead recoveries	788	506	56
Capitalized G&A	-	118	(100)
Gross expense	4,267	2,849	50
<u>Expense (\$ per boe)</u>			
Expense per financial statements	4.10	2.65	55
Gross expense	5.03	3.39	48

FINANCE EXPENSES

Finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion on the term debt, accretion on right-of-use assets and bank charges. Finance expenses decreased 12% from the first quarter of 2019 compared to the first quarter of 2020 mainly due to lower accretion costs on the asset retirement obligation liability. Accretion was lower as the rate used to discount the liability was lower in 2020 as compared to 2019. Interest costs for the first quarter of 2020, which includes both interest expense, and amortization of banking renewal and standby fees, increased 5% to \$2,477 in 2020 from \$2,370 in 2019. For the first quarter of 2020, the average interest-bearing debt outstanding was \$115,922 which was an 11% decrease from \$130,463 for the comparable period in 2019. For the first quarter in 2020, the average effective interest rate on outstanding borrowings increased 17% to 8.6% in 2020 from 7.4% in 2019. On a per BOE basis, the cash finance expense was \$2.92 for 2020 as compared to \$2.82 for 2019, representing a 4% increase, period over period. The

increase in interest expense in the first quarter of 2020 was mainly due to an increase in bank lending rates starting in December of 2019. The per boe rate increased since interest rates were higher while production volumes were flat.

	Three months ended March 31, %		
	2020	2019	Change
Expense per financial statements	3,140	3,587	(12)
<u>Add/(Deduct):</u>			
Accretion expense	(668)	(1,216)	(45)
Other bank charges	5	(1)	(600)
Finance expense related to borrowings	2,477	2,370	5
Average interest bearing debt	115,922	130,463	(11)
Average interest rate (%)	8.6	7.4	17
Non-accretion finance expense (\$ per boe)	2.93	2.82	4
Expense per financial statements (\$ per boe)	3.70	4.27	(13)

SHARE BASED COMPENSATION

Share based compensation expense was \$600 for the first quarter of 2020 as compared to \$820 in 2019. The lower stock based compensation in the first quarter of 2020 was attributable to a lower amount of long term incentives granted to employees in the fourth quarter of 2019. During the first quarter of 2020, the Company did not capitalize any share based compensation expense as compared to \$92 for the same period in 2019. Any capitalization is attributable to technical staff, who are directly related to exploration and development activities. Due to the reduced capital activity in the first quarter, the capitalized amount was lower. The fair value of all share based compensation was estimated based on the date of issuance using a modified Black Scholes pricing model and is amortized over the vesting period.

	Three months ended March 31, %		
	2020	2019	Change
Expense per financial statements	600	820	(27)
Expense (\$ per boe)	0.71	0.98	(28)

DEPLETION AND DEPRECIATION (“D&D”)

For the three months ending March 31, aggregate D&D increased 44% from \$8,458 in 2019 to \$12,221 in 2020. The D&D rate per BOE moved higher by 43% to \$14.40 in 2020 from \$10.07 in 2019 due to the increased costs incurred from the fourth quarter, 2019 drilling program.

	Three months ended March 31, %		
	2020	2019	Change
Depletion and depreciation	12,221	8,458	44
Expense (\$ per boe)	14.40	10.07	43

IMPAIRMENTS

At March 31, 2020, the Company assessed whether there were indicators of impairment. The assessment factored in reserves, change in commodity prices since December 31, 2019, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined that impairment indicators were present for all CGU’s and as a result, the CGU’s were tested for impairment. It was determined that the carrying

amount of the Crystal and Countess CGU's had not exceeded their recoverable amount and therefore had no impairment. Cherhill, Herronton, Gilby, Pembina, Pine Creek, Skiff and Matziwin CGU's were found to be impaired as the carrying amount exceeded the recoverable amount. The recoverable amount was calculated using the estimated fair value of the assets less costs of disposal in an assumed asset sale. Fair value less costs of disposal was determined using a discounted cash flow approach based on the March 31, 2020 internal reserve evaluation of proved plus probable reserves and using an average of three major independent reserve engineer's forecast commodity prices. Journey used an after-tax risk adjusted discount rate that was based on the nature of the assets held in the CGU to determine the fair value at the measurement date. The table below summarizes the benchmark prices for the next thirteen years used by the independent reserve evaluators in preparing the Company's March 31, 2020 internal reserve evaluation.

Year	WTI Cushing Oklahoma (\$US/bbl)	MSW Light Edmonton 40 API (\$CDN/bbl)	Alberta AECO-spot (\$CDN/mmbtu)	Foreign Exchange (\$US/\$CDN)
2020	29.17	29.22	1.74	0.7067
2021	40.45	46.85	2.20	0.7283
2022	49.17	59.27	2.37	0.7450
2023	53.28	65.02	2.45	0.7467
2024	55.66	68.43	2.52	0.7483
2025	56.87	69.81	2.60	0.7500
2026	58.01	71.24	2.66	0.7500
2027	59.17	72.70	2.72	0.7500
2028	60.35	74.19	2.79	0.7500
2029	61.56	75.71	2.85	0.7500
2030	62.79	77.22	2.91	0.7500
2031	64.05	78.76	2.97	0.7500
2032	65.33	80.34	3.03	0.7500

The annual escalation rate used after 2032 is 2.0%.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment
Matziwin	33,797	15.0	14,470
Gilby	4,440	15.0	17,823
Herronton	6,715	15.0	7,793
Cherhill	16,030	15.0	8,169
Skiff	27,673	15.0	6,076
Pembina	635	15.0	2,692
Pine Creek	-	15.0	3,900
	89,290		60,923

The impairment in these seven CGUs was primarily attributable to the decline in oil prices used in the internal reserve evaluation and as published by three major independent reserve evaluators. A one percent increase in the assumed discount rate would result in an additional impairment of \$6,076 for 2020 while a ten percent decrease in future planned cash flows would have increased the impairment for 2020 by \$8,820.

	Three months ended March 31		
	2020	2019	% Change
PP&E impairment	60,923	-	-
Expense (\$ per boe)	71.79	-	-

DEFERRED TAXES

Due to the uncertainty as to whether any additional deferred tax asset would be realized, no new asset or liability was recorded in the first quarter of 2020. Journey has available \$723,075 in income tax deductible pools for future utilization should the company generate sufficient taxable income. Given Journey's significant tax pools, projected cash flows and its capital spending profile the Company does not expect to be cash taxable into the foreseeable future. The income tax pool balances, by category, at March 31, 2020 (before any de-recognition), were as follows:

Tax Pool	Deductible rate	Amount
Canadian oil & gas property expenses	10% declining balance	115,231
Canadian development expenses	30% declining balance	112,606
Canadian exploration expenses	100%	47,535
Undepreciated capital costs	7-100% declining balance	82,209
Financing costs	5 year straight line	405
Non-capital losses	100%	365,089
Total		723,075

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 being developed during the period. Therefore, the expense in the respective periods can fluctuate significantly as it is highly dependent on mineral rights expiries and/or drilling activities in the period. During the three months ended March 31, 2020 Journey incurred an expense of \$478 which was 24% higher than the \$386 expensed in 2019.

	Three months ended March 31,		
	2020	2019	% Change
E&E expense	478	386	24
\$ per BOE	0.56	0.46	22

NETBACKS

For the three months ended March 31, 2020 the operating netback was \$4.04 per BOE which was 74% lower than the \$15.47 per BOE realized in 2019. The decrease in operating netbacks resulted primarily from a 36% decrease in average commodity prices, which was partially mitigated by an 18% decrease in royalty expense. For the quarter, G&A expenses were higher by 55% at \$4.10/boe. However, \$2.26/boe of the total \$4.10/boe G&A expense in 2020 was the result of an allowance for doubtful accounts resulting from a dispute with Journey's natural gas purchaser. Interest expense was 4% higher at \$2.92/boe as compared to \$2.82 in 2019. The higher interest costs were the result of the full impact of the term debt issued late in January of 2019 as well as higher bank debt outstanding and higher interest rates. Realized hedging gains were \$2.73 per BOE and were primarily the result of oil hedges going well into the money as WTI oil prices dropped. For the three months ended March 31, the Funds Flow netback decreased 103% from \$9.67 in 2019 to \$(0.25) per boe in 2020. In the non-cash expense section of the netbacks, Journey had a significant positive movement in its unrealized hedging position as the loss from 2019 of \$1.57 reversed itself to a gain of \$11.38 per boe in 2020. In addition, Journey realized a large PP&E impairment in 2020 as a result of all commodity prices declining sharply as a result of the worldwide COVID-19 pandemic. All other non-cash items were consistent with 2019 numbers. The end result was a net loss of \$77.12 per boe for the first quarter of 2020 as compared to a loss of \$4.87 per boe in 2019.

(\$ per BOE)	Three months ended March 31,		
	2020	2019	% Change
Realized price	21.61	33.94	(36)
Royalties	(3.18)	(3.89)	(18)
Operating expenses	(13.86)	(14.09)	(2)
Transportation expenses	(0.53)	(0.49)	8
Operating	4.04	15.47	(74)
General and administrative	(4.10)	(2.65)	55
Finance expense - interest	(2.92)	(2.82)	4
Realized gain (loss) on derivatives	2.73	(0.33)	(927)
Funds Flow	(0.25)	9.67	(103)
Transaction costs	-	(0.01)	(100)
Unrealized loss on derivatives	11.38	(1.57)	(825)
Share based compensation	(0.71)	(0.98)	(28)
Depletion and depreciation	(14.40)	(10.07)	43
Impairments	(71.79)	-	-
Finance expense - accretion	(0.79)	(1.45)	(46)
Exploration & evaluation	(0.56)	(0.46)	22
Net loss	(77.12)	(4.87)	1,484

FUNDS FLOW, CASH FLOW AND NET LOSS

The net loss for the first quarter of 2020 was \$65,441 as compared to a loss of \$4,087 in 2019. Journey realized a net loss of \$1.52 per weighted average basic and diluted share in 2020 as compared to loss per share of \$0.10 (basic and diluted) for 2019.

For the three months ended March 31, Funds Flow decreased from \$7,722 in 2019 to \$(205) in 2020. The decrease was largely attributable, period over period, to a 36% decrease in average corporate realized prices as well as the \$1.9 million in bad debt expense. For the three months ended March 31, Funds Flow per weighted average share in 2020 was \$(0.01) per basic and diluted share. Comparatively, Funds Flow per basic weighted share in 2019 was \$0.20 per basic and \$0.19 per diluted share.

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure which represents how much cash was generated by Journey's business operations. Cash flow from operating activities was \$1,319 for the first quarter of 2020 versus \$6,313 during the same quarter of 2019.

Per share data	Three months ended March 31,		
	2020	2019	% Change
Net loss	(65,441)	(4,087)	1,501
Basic (\$/share)	(1.52)	(0.10)	1,419
Diluted (\$/share)	(1.52)	(0.10)	1,419
Funds Flow	(205)	7,722	(103)
Basic (\$/share)	(0.01)	0.20	(105)
Diluted (\$/share)	(0.01)	0.19	(105)
Cash flow from operations	1,319	6,313	(79)
Basic (\$/share)	0.03	0.16	(81)
Diluted (\$/share)	0.03	0.16	(81)

CAPITAL EXPENDITURES

For the first three months of 2020, Journey had limited its capital program to necessary expenditures as it tried to manage the impact from the COVID-19 pandemic and the unparalleled drop in oil prices. As a result Journey spent only \$3,276 in the first quarter, which was an increase of 241% from \$960 spent in the same quarter of 2019. No wells were drilled in the first quarter of 2020. Journey currently plans on spending approximately \$5 million during the first half of 2020, most of which will be devoted to bringing its electricity generation project on-line. This project is anticipated to be running near the beginning of the third quarter. Net capital additions for the respective quarters is broken down as follows:

	Three months ended March 31,		
	2020	2019	% Change
Land and lease rentals	101	243	(58)
Well equipment and facilities	3,191	540	491
Capitalized G&A	-	118	(100)
Exploration and development	3,292	901	265
Other expenditures	-	4	(100)
Total capital expenditures	3,292	905	264
PP&E acquisitions	-	55	(100)
PP&E dispositions	(16)	-	-
Net cash capital expenditures	3,276	960	241
Other:			
Capitalized share based compensation	-	39	(100)
Decommissioning expenditures	386	226	71
Total capital expenditures	3,662	1,225	199

DECOMMISSIONING LIABILITIES (“DL”)

At March 31, 2020, Journey has recorded a DL of \$165,934 (\$166,478 at December 31, 2019) 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, pipelines 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 present value of the future liability at March 31, 2020 has been discounted using a real rate of 0.4% (December 31, 2019 – 0.4%), which is comprised of a risk-free discount rate of 1.3% less an assumed inflation rate of 0.9%.

Accretion charges of \$544 for the three months ended March 31, 2020 (March 31, 2019 - \$912), respectively, have been recognized in the statements of comprehensive net loss to reflect the increase in DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the three months ended March 31, 2020 was \$386 (March 31, 2019 - \$226).

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 within the Alberta Energy Regulator’s requirements, such that no deposits are required or expected to be required at March 31, 2020 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES (“LO”)

At March 31, 2020, Journey’s discounted lease obligations were \$5,636 (December 31, 2019 - \$5,781). The future liability has been discounted at an interest rate that approximates Journey’s incremental cost of borrowing. The

discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of \$81 for the three months ended March 31, 2020 (March 31, 2019 -\$94) have been recognized in the statements of comprehensive net loss to reflect the increase in LO associated with the passage of time. Expenditures for the LO for the three month periods ended March 31, 2020 and 2019 were \$417 and \$395 respectively.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices declined significantly due to a dispute between major oil producing countries combined with a collapse in demand due to the impact of the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Corporation including:

- material declines in revenue and cash flows resulting from the collapse in commodity prices and production levels;
- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;
- inability to comply with debt covenants and restrictions in lending agreements (discussed further below);
- increased risk of non-payment of accounts receivable and customer defaults;
- restructuring charges as the Company aligns its structure and personnel to the dynamic environment; and
- the current economic and commodity pricing environment further jeopardizes the Company's ability to continue as a going concern.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There are material uncertainties that cast significant doubt as to the Company's ability to continue as a going concern including how the Company's syndicated credit facilities will be administered going forward. At March 31, 2020, bank debt outstanding on the Company's lines of credit aggregated \$74.9 million (Note 6). The maximum amount available on the lines of credit was \$77 million.

The Company is required to maintain a Liability Management Rating greater than 1.9 under the terms of its syndicated credit facilities and 2.0 under the terms of the second-lien term debt instrument. The Company was in compliance with this requirement at March 31, 2020. The Company is near the minimum amount required under the terms of the credit agreements. There is a risk of not being able to maintain the required Liability Management Rating ratios as the deemed asset value used in the calculation may reduce over time due to the decline in both production and commodity pricing, and the Company has limited available funds available to execute on its remediation and abandonment program. The Company has applied for funding under a recent program

announced by the Federal Government to reclaim and abandon certain properties. This program, if the Company can access funds, could improve the Liability Management Rating.

The Company is highly dependent on its lenders (both the banking syndicate and the term debt holder). There is risk that the Company may need to seek creditor protection should the lenders not extend the forbearance agreement or if the lenders materially alters, reduce or demand repayment of the outstanding obligations.

Considerable actions have been taken to maintain the Company's liquidity including refinancing the term debt and extending certain maturity dates; issuing common shares on September 30, 2019 for net proceeds of \$7,236; reducing the capital program and continuing a commodity hedging program. During this intervening period, it is currently anticipated that the industry will receive more clarity around the Federal Government's support programs for the oil and gas sector.

No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that may be necessary should the Company not continue as a going concern. These adjustments, if made, could be material.

Historically, corporate working capital liquidity was maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. For the three months ended March 31, 2020, the Company funded its \$3,662 in capital additions and asset retirement expenditures, primarily from bank debt.

As at March 31, 2020 bank debt outstanding was \$74,878, of the total available credit facilities of \$77,000. The credit facility is comprised of a working capital facility of \$15,000 as well as a production facility of \$62,000. Pursuant to the fall 2019 borrowing base review and the reduction in commodity prices used by Journey's syndicate in that review, Journey's credit facility of \$80 million was expected to be reduced by \$1 million per month starting on December 31, 2019 until it reached \$75 million at April 30. The turmoil in the oil and gas industry resulting from COVID -19 and the Saudi-Russia oil price war caused disarray for the worldwide economy and especially Canadian oil and gas producers. This turmoil resulted in a liquidity squeeze for Journey going into the annual borrowing base review in April. Pursuant to a series of short term amendments to the credit facility, the maximum bank line of credit was held constant at \$77 million. On April 24, 2020 Journey and its syndicate of banks entered into a forbearance agreement, the terms of which include holding the bank line at \$77 million until the termination of the agreement on May 29, 2020, at which time the forbearance will be re-evaluated. During this intervening period, it is currently anticipated that the industry will receive more clarity around the Federal Government loan support programs for the oil and gas sector announced by them on April 17, 2020.

Net Debt of the Corporation at March 31, 2020 was \$128,435. This amount was comprised of negative working capital of \$84,435 (current assets minus current liabilities minus but excluding the components related to derivative contracts, asset retirements obligations and lease obligation liabilities) plus the principal amount of the second lien term debt of \$44,000. Working capital deficiencies are dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues and any proceeds from the disposition of assets. Working capital deficiencies are normal in the industry and vary widely from company to company based on their specific cash flows and spending patterns.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three months ended March 31, 2020 or 2019.

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) Commitments

The Company has committed to several contracts including: the transportation of its natural gas; head office lease and field vehicle leases. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts:

	Total	< 1 year	1 -3 years	4 – 5 years
Bank debt	74,878	74,878	-	-
Term debt	44,000	-	44,000	-
Natural gas transportation	564	389	175	-
Operating leases	6,159	1,630	3,155	1,374
Total	125,601	76,897	47,330	1,374

b) Indemnifications

Under the terms of certain agreements and the Company's by-laws, Journey indemnifies individuals who have acted at the Company's request to be a director and/or officer, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their service. The Company currently has no outstanding claims having a potentially material adverse effect on the Company as a whole.

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SHARE CAPITAL

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

(000's)	May 19, 2020	March 31, 2020	March 31, 2019
Common shares outstanding	43,087	43,087	39,232
Options, warrants, restricted share and performance share awards	5,087	5,087	4,358
Fully diluted shares	48,174	48,174	43,590
Weighted average common shares			
Basic	N/A	43,087	39,226
Diluted	N/A	43,087	39,226

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Mar 31, 2020	Dec. 31, 2019	Sep 30, 2019	Jun 30, 2019
Production (boe/d)	9,325	9,463	9,445	9,248
Average prices realized, pre-hedging (\$/boe)	21.61	31.17	30.10	32.56
Petroleum and natural gas sales	18,336	27,134	26,158	27,400
Net earnings (loss)	(65,441)	(7,654)	(7,055)	(12,559)
Basic – per share (\$/share)	(1.52)	(0.18)	(0.18)	(0.32)
Diluted – per share (\$/share)	(1.52)	(0.18)	(0.18)	(0.32)
Funds Flow	(205)	5,905	6,020	7,158
Basic – per share (\$/share)	(0.01)	0.14	0.15	0.18
Diluted – per share (\$/share)	(0.01)	0.13	0.14	0.17
Cash flow from operations	1,319	11,684	4,279	5,472
Total assets	276,794	344,989	416,667	406,974
Net capital expenditures	3,276	9,331	2,427	7,813
Long term financial liabilities	211,712	212,024	283,856	366,156
Net debt	128,435	124,213	118,238	128,451

	Mar. 31, 2019	Dec. 31, 2018	Sep 30, 2018	Jun 30, 2018
Production (boe/d)	9,330	9,921	10,227	10,036
Average prices realized, pre-hedging (\$/boe)	33.94	22.34	36.17	34.69
Petroleum and natural gas sales	28,498	20,390	34,032	31,685
Net earnings (loss)	(4,087)	(16,180)	202	(12,325)
Basic – per share (\$/share)	(0.10)	(0.41)	0.01	(0.32)
Diluted – per share (\$/share)	(0.10)	(0.41)	0.01	(0.32)
Funds Flow	7,722	(42)	7,890	5,305
Basic – per share (\$/share)	0.20	-	0.20	0.14
Diluted – per share (\$/share)	0.19	-	0.20	0.13
Cash flow from operations	6,313	(4,638)	10,631	26
Total assets	410,018	380,724	405,989	409,094
Net capital expenditures	960	1,125	9,647	7,499
Long term financial liabilities	331,280	304,062	214,354	225,331
Net debt	127,769	134,635	118,238	130,606

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:

- The first quarter of 2020 started off reasonably strong as WTI averaged \$57.53/bbl US in January while natural gas prices were \$2.29/mcf. February prices were lower on both counts by 12% and 19% respectively. However, the onset of the COVID-19 pandemic and the subsequent Russia/Saudi production dispute sent oil prices crashing in March to average \$30.45 USD. Within Journey, the Company had a dispute with its natural gas purchaser and consequently had to take a provision for bad debts of \$1.9 million. The quarter ended up with negative Funds Flow of \$205. Sales volumes were 6% lower at 9,325 boe/d (52% natural gas) as compared to 9,921 boe/d (54% natural gas) in the fourth quarter of 2019. There were no wells drilled in the first quarter and capital spending was limited primarily to the power project. All available resources of

the company were conserved as the declining commodity prices hit the entire industry very hard. \$3.3 million in capital was spent during the first quarter and the company exited the quarter with \$128.4 million of net debt.

- During the fourth quarter of 2019 production volumes averaged 9,463 (51% natural gas) which was flat with the third quarter. Realized prices increased 4% from the third quarter to average \$31.17/boe in the fourth quarter. This increase was led by a 107% increase in natural gas prices, 5% decline in oil prices and a 34% increase in NGL prices. Total capital spending of \$10,913 was primarily devoted to drilling, completing and tying-in 4 (4.0 net) wells in Matziwin as well as \$1,313 of decommissioning costs.
- During the third quarter of 2019 production volumes averaged 9,445 (51% natural gas) which was a 2% increase from the second quarter. Realized prices decreased 8% from the second quarter to average \$30.10/boe in the third quarter. This decline was led by a 25% decline in natural gas prices, 9% decline in oil prices and a 17% decline in NGL prices. Capital spending was primarily devoted to optimizations and abandonment costs.
- During the second quarter of 2019 production volumes averaged 9,248 (53% natural gas) which was a 1% decline from the first quarter. Realized prices decreased 4% from the first quarter to average \$32.56/boe. This decline was led by a 55% decline in natural gas prices from the first quarter. Capital spending was primarily devoted to drilling 3 (3.0 net) wells in Matziwin. The two “earning” wells under Journey’s Duvernay joint venture were placed on-production in the quarter with Journey having a 3.75% royalty on the production from these wells.
- Alberta benchmark oil prices rebounded in the first quarter of 2019 to average \$66.92/bbl as compared to \$48.27/bbl in the fourth quarter of 2018. The Alberta Government production curtailment initiative was instrumental in reversing the inordinately low oil prices experienced in the fourth quarter of 2018. The low oil prices caused Journey to experience a small negative funds flow of \$46 in the fourth quarter, however this was reversed into a positive amount of \$7,722 during the first quarter of 2019. Capital was limited to necessary expenditures as only \$960 was spent during the quarter, with no wells being drilled. As a result of no new wells being drilled, production volumes declined to 9,330 boe/d as compared to 9,921 boe/d in the fourth quarter of 2018. Journey exited the first quarter with \$128 million of net debt. Journey’s anticipated entry back into its drilling program will occur in May of 2019.
- During the fourth quarter of 2018 production volumes averaged 9,921 (54% natural gas). Realized prices decreased 38% to average \$22.34/boe. This decline was led by the decrease in oil prices by 54% from the third quarter resulting from historic WTI/Canadian par differentials. Realized natural gas prices helped offset some of the negative oil price impact with a 48% increase from the third quarter and mainly attributable to the price diversification strategy Journey employed into the US markets. Capital spending was maintenance only as Journey spent \$1,126. Due to the uncertainty surrounding oil price direction, Journey did not drill any new wells in the fourth quarter. The Alberta Government imposed production restrictions on producers that will become effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month and in November. These did not impact Journey’s production Journey entered into a farm out with an industry partner to develop its 140 sections of Duvernay, oil- prospective lands. Drilling by this partner commenced with two wells spud in December.
- In the third quarter of 2018 Journey had production volumes of 10,227 boe/d (52% natural gas). Realized prices improved to an average of \$36.17/boe in the third quarter compared to \$34.69 in the second quarter. The increase in average prices were led primarily by a 45% increase in realized natural gas prices, while oil prices and NGL prices declined 3% and 17% respectively. Natural gas prices are adjusting to seasonal averages in the third quarter but continue to be challenged by egress issues despite the previous cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 3 (3.0 net) wells in Skiff during the quarter. One well was placed on production during the third quarter and two will carry over into the fourth quarter. \$9,986 was spent on exploration and development while the Company had net dispositions of \$342 in the quarter. Hedging losses were the largest drag on both Funds Flow and net income as they amounted to \$4,903 of realized losses and \$2,314 of unrealized gains for a net hedging loss of \$2,589 during the quarter.

- In the second quarter of 2018 Journey had production volumes of 10,036 boe/d (53% natural gas). Realized prices improved to an average of \$34.69/boe led primarily with a 22% increase in realized oil prices from the first quarter. Natural gas prices continue to be challenged as corporate realized prices of \$1.11/mcf were 42% lower than the first quarter despite a cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 4 (4.0 net) wells in the quarter. All of these wells will be placed on-production in the third quarter. \$10,283 was spent on exploration and development while the Company had net dispositions of \$2,801 of minor, non-core assets in the quarter. Hedging losses were a drag on both Funds Flow and net income as they amounted to \$3,976 of realized losses and \$8,298 of unrealized losses in the quarter.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended March 31, 2020 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, 2019.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2019 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2019 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, 2019, 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

There were no new IFRS accounting standards adopted in 2020.

There were no new or amended accounting standards or interpretations issued during the period ended March 31, 2020 that will materially affect the Company's future reporting periods.

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 favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. 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.

Liquidity Risk

Liquidity risk is impacted by the current state of the oil and gas industry in Canada. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices declined significantly due to a dispute between major oil producing countries combined with a collapse in demand due to the impact of the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Corporation including:

- material declines in revenue and cash flows a result of the collapse in commodity prices and reductions in production levels;
- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;
- inability to comply with debt covenants and restrictions in lending agreements (discussed further below);
- increased risk of non-payment of accounts receivable and customer defaults;
- restructuring charges as the Company aligns its structure and personnel to the dynamic environment; and
- the current economic and commodity pricing environment further jeopardizes the Company's ability to continue as a going concern.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital

balance. The currently available capacity on the Company's credit facility is assessed by Management to be sufficient to ensure obligations will be met as they come due.

The following table details Journey's financial liabilities as at March 31, 2020:

	< 1 year	1 - 2 years	3 - 5 years	Total
Accounts payable and accrued liabilities	19,336	-	-	19,336
Derivative contracts	130	-	-	130
Bank debt and bank indebtedness	74,878	-	-	74,878
Term debt - principal	-	-	44,000	44,000
Interest on bank debt	2,598	-	-	2,598
Interest on term debt	4,205	4,213	4,857	13,275

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

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices declined significantly due to a dispute between major oil producing countries combined with a collapse in demand due to the impact of the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Corporation including:

- material declines in revenue and cash flows a result of the collapse in commodity prices and reductions in production levels;

- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;
- inability to comply with debt covenants and restrictions in lending agreements (discussed further below);
- increased risk of non-payment of accounts receivable and customer defaults;
- restructuring charges as the Company aligns its structure and personnel to the dynamic environment; and
- the current economic and commodity pricing environment further jeopardizes the Company's ability to continue as a going concern.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There are material uncertainties related to the Company's ability to continue as a going concern including how the Company's syndicated credit facilities will be administered. At March 31, 2020, bank debt outstanding on the Company's lines of credit aggregated \$74.9 million (Note 6). The maximum amount available on the lines of credit was \$77 million. On April 24, 2020 Journey and its syndicate of banks entered into a Forbearance agreement. The terms of the agreement include holding the bank line at \$77 million until the termination of the agreement May 29th, 2020, at which time the forbearance will be re-evaluated. Should the forbearance agreement not be extended by the lenders, the amounts drawn on the facilities would become due May 29th.

The Company is highly dependent on its lenders (both the banking syndicate and the term debt holder). The lenders could demand repayment of all outstanding amounts in the near term. There is risk that the Company may need to seek creditor protection should the lenders not extend the forbearance agreement or if the lenders materially alters, reduce or demand repayment of the outstanding obligations.

Access to Capital Markets

The Company's business plan includes the making of significant capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As Funds Flow may not be sufficient to fund its ongoing activities at all times, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities over and above its lending facility. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss out on acquisition opportunities, and reduce or terminate operations. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects. Should circumstances affect the Funds Flow in a detrimental way, the Company would respond by increasing debt within the Company's self-imposed debt guideline and/or reducing capital expenditures. The Company relies on various sources of funding to support its capital expenditure program including:

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

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs are decreasing each year

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

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

Administrative Risks

The increased transparency required by the securities regulators and constantly evolving accounting guidelines dictate significant resources be devoted to these areas. Journey maintains processes designed to comply with the required disclosures; has a strong Board of Directors and engages technical advisors to assist in meeting securities guidelines. In addition, the industry will continue to experience competitiveness with respect to finding and retaining qualified employees. Retention issues are at least partially mitigated by having all employees participate in its LTI program and paying competitive salaries.

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other

suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Environmental Regulations

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

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The Alberta government has recently announced changes to its royalty structure framework effective January 1, 2020. 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 one-to-one, are required to post deposits with the AER. Journey's rating is well above this limit and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the interim period ending March 31, 2020, 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.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the first quarter of 2020.

The March 31, 2020 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.