MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on May 7, 2021 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, 2021 and 2020. 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, 2021 and 2020 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").

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) Adjusted Funds Flow from operations, (ix) operating and Adjusted 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, Adjusted 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.

"Adjusted 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; non-recurring "other" income, and decommissioning costs. Adjusted Funds Flow per share is calculated as Adjusted Funds Flow divided by the weighted-average number of shares outstanding in the period. Because Adjusted Funds Flow and Adjusted 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 Adjusted Funds Flow, as these expenses are generally in respect of capital acquisition transactions. The Company considers Adjusted 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 Adjusted 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 Adjusted Funds Flow can be found in the table below. Journey also presents Adjusted 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.

"**Netbacks**" is a term used throughout these MD&A. 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. Management also uses them in operational and capital allocation decisions. Journey uses three netbacks to assess its own performance and also performance in relation to its peers. These netbacks are operating, Adjusted 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. "**Adjusted Funds Flow netback**" begins with the operating netback and deducts general and administrative costs, interest costs and then adds or deducts any realized gains or losses on derivative contracts. To calculate the "**net income (loss) netback**", Journey takes the Adjusted Funds Flow netback and then adds or deducts: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; asset 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 reconciliation of Adjusted Funds Flow to the GAAP measured Adjusted Funds Flow from operating activities is presented in the following table:

	March 31, 2021	March 31, 2020	% Change
Cash flow provided by operating activities	**4,295**	1,382	211
Add (deduct):			
Changes in non-cash working capital	**4,841**	(1,911)	(353)
Forfeited deposit	**(902)**	-	-
Transaction costs	**8**	1	700
Decommissioning costs incurred	**470**	386	22
Adjusted Funds Flow	**8,712**	(205)	4,350

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 period-end is as follows:

	March 31, 2021	March 31, 2020	% Change	**March 31, 2021**	December 31, 2020	% Change
Principal amount of bank indebtedness	**-**	74,878	(100)	**-**	-	-
Principal amount of term debt	**85,914**	44,000	95	**85,914**	89,664	(4)
Accounts payable and accrued liabilities	**13,850**	19,405	(29)	**13,850**	16,198	(14)
Contingent bank debt	**3,898**	-	-	**3,898**	1,943	101
Deduct:						
Cash in bank	**(6,909)**	-	-	**(6,909)**	(6,590)	5
Accounts receivable	**(10,835)**	(8,246)	31	**(10,835)**	(9,285)	17
Prepaid expenses	**(2,189)**	(1,602)	37	**(2,189)**	(1,575)	39
Net debt	**83,729**	128,435	(35)	**83,729**	90,355	(7)

Abbreviations and Advisories

The following abbreviations are used throughout these MD&A and have the ascribed meanings:

AIMCo	*Alberta Investment Management Corporation*
bbl	*barrel*
bbls	*barrels*
boe	*barrels of oil equivalent (see conversion statement below)*
boe/d	*barrels of oil equivalent per day*
gj	*gigajoules*
IFRS	*International Financial Reporting Standards*
Mbbls	*thousand barrels*
MMBtu	*million British thermal units*
Mboe	*thousand boe*
Mcf	*thousand cubic feet*
Mmcf	*million cubic feet*
Mmcf/d	*million cubic feet per day*
MSW	*Mixed sweet Alberta benchmark oil price*
NGL's	*natural gas liquids (ethane, propane, butane and condensate)*
WCS	*Western Canada Select benchmark oil price*
WTI	*West Texas Intermediate benchmark Oil price*

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.

In these MD&A, where the Company uses the term "crude oil" it is referring to the aggregate of light, medium and heavy crude oil volumes or dollars as is required. Where the Company uses the term "natural gas" it is referring to the aggregate of conventional natural gas and coal-bed methane natural gas volumes or dollars as is required.

All volumes in these MD&A refer to the sales volumes of crude oil, natural gas and associated by-products measured at the point of sale to third-party purchasers. For natural gas, this occurs after the removal of natural gas liquids.

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, 2021

Financial

Journey recorded Adjusted Funds Flow of $8,712 in the first quarter of 2021 as compared to a negative $205 in the first quarter of 2020. The combination of a 60% increase in average realized commodity prices; cost reduction strategies implemented in 2020; a new revenue stream from electricity generation; and a one-time cash realization of $902 from the forfeited deposit from the Countess asset sale all positively impacted Adjusted Funds Flow. Cash flow from operating activities was $4,295 in the first quarter of 2021 as compared to $1,382 in the first quarter of 2020. Journey returned to profitability in the first quarter recording $1,699 in net income or $0.04 per basic and diluted share. The Company exited the quarter with net debt of $83,729, which was 35% below March 31, 2020 and 7% below what was recorded at the beginning of 2021.

Capital spending

During the first quarter, Journey did not drill any wells as the Company continued to make debt repayment a priority. Debt repayment is a priority due to the inability of the purchaser of the Countess assets to close as expected on March 1. $15 million of term debt was to be retired with the proceeds from the sale, but now Journey has to make room for repayment of this debt within its cash flows. As a result minimal maintenance capital of $465 and $470 of decommissioning costs were expended in the first quarter.

Production

Production decreased 19% in the first quarter of 2021 to average 7,577 boe/d versus 9,325 boe/d in the first quarter of 2020. Quarter over quarter production decreased 6% in the first quarter of 2021 as compared to the fourth quarter of 2020 (8,074 boe/d). The decrease in production was mainly the result of natural declines as no new wells were brought on-production during the quarter. To a lesser extent the

natural gas production that Journey now uses to generate electricity impacted the first quarter volumes by approximately 105 boe/d.

Liquidity

The COVID-19 pandemic caused turmoil with the liquidity of many oil and natural gas producers in 2020 and continues to take its toll for many into 2021. Journey's efforts to cut costs, exit from its banking syndicate and replacing bank debt with term debt from its largest shareholder during 2020, has served the purpose of making Journey more stable with more predictable liquidity. Increased prices for natural gas, crude oil, NGL's and electricity in 2021 have provided much needed working capital that will assist in the sustainability of the Company. Journey has significantly improved its liquidity, and has reduced its outstanding term debt with a $3.75 million payment in March and two $1.0 million payments in April. These repayments have been accomplished while retaining its natural gas and electricity generation assets in Countess, which further stabilizes the Company. However, there are still two significant term debt maturities in 2021 and while Journey currently believes they can meet their commitments to AIMCo, liquidity can become a concern should commodity prices decline significantly.

Outlook

The theme for 2021 will be to continue strengthening the balance sheet. By the end of 2021 Journey is forecasting approximately $65-$68 million of net debt, which is 50% below what it was at the beginning of 2020 and just before the pandemic. Included in this reduction of net debt are projected repayments of approximately $20 million of term debt. The rebound in commodity prices, coupled with favorable price differentials, and a lower operating cost structure are combining to make Journey very sustainable well into the future. Journey's updated 2021 guidance is presented in the table below:

Annual average production	7,300 – 7,600 boe/d (46% crude oil and NGL)
Capital spending	$4 - $5 million
Adjusted Funds Flow	$27 - $30 million
Year-end net debt	$65 - $68 million
Funds flow per basic weighted average share	$0.61 - $0.68
Corporate annual decline rate	14%

Journey's 2021 forecasted funds flow is based upon the following assumed annual, average prices: WTI of $59.00/bbl USD; Company differentials of $5/bbl USD for oil from Edmonton light sweet prices; realized natural gas price of CDN$2.70/mcf CDN; and a foreign exchange rate of $0.80 US$/CDN$.

Journey is continually on the search for potential mergers, accretive acquisitions, and is exploring the possibility of expanding its power generation capability. In addition, Journey is concentrating on reducing its asset retirement obligations with funds allocated to abandonment and reclamations as well as taking advantage of the Government funding through the Site Rehabilitation Program.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Daily sales volumes were 19% lower in the first quarter of 2021 at 7,577 boe/d, as compared to 9,325 boe/d in the first quarter of 2020. The primary cause of the decrease was a natural decline in production as no new drilling took place in 2020 or the first quarter of 2021. In addition, Journey was using some of its own natural gas production to generate electricity sales in 2021. For the first quarter of 2021, Journey used approximately 57 thousand mcf of its natural gas to generate electricity. This impacted daily sales of natural gas in 2021 by 630 mcf/d or 105 boe/d.

	Three months ended March 31		
	2021	2020	% Change
Natural gas (Mcf/d)			
Conventional	**19,429**	22,624	(14)
Coal bed methane	**5,083**	6,198	(18)
Total natural gas volumes	**24,512**	28,822	(15)
Crude oil (Bbl/d)			
Light/medium	**2,160**	3,071	(30)
Heavy	**710**	737	(4)
Total crude oil volumes	**2,870**	3,808	(25)
Natural gas liquids (Bbl/d)	**622**	713	(13)
Barrels of oil equivalent (boe/d)	**7,577**	9,325	(19)

Volumetric Product Mix

	Three months ended March 31,		
% of Aggregate Production	**2021**	2020	% Change
Natural gas	**54**	51	6
Crude oil	**38**	41	(7)
Natural gas liquids	**8**	8	-
Total	**100**	100	

Sales volumes shifted slightly towards natural gas production as the declines in the oil wells were slightly greater than that of the natural gas wells. Natural gas production contributed 54% (2020 – 51%) of total sales volumes; crude oil volumes were 38% (2020 – 41%) and NGL's were 8% (2020 – 8%).

Benchmark Indices

	Three months ended March 31,		
	2021	2020	% Change
Crude Oil			
WTI (US$/Bbl)	**57.84**	46.17	25
Canadian light (CDN$/Bbl)	**68.62**	52.02	32
Western Canada Select (CDN$/Bbl)	**57.43**	34.10	68
Natural Gas			
NYMEX (US $/Mmbtu)	**3.56**	1.73	106
AECO - Daily (CDN$/Mcf)	**3.13**	2.03	54
Foreign Exchange			
Canadian dollar to US dollar	**0.790**	0.744	6
US dollar to Canadian dollar	**1.267**	1.344	(6)

WTI oil prices increased 25% in the first quarter of 2021 to average $57.84 US/bbl as compared to $46.17 US/bbl in the first quarter of 2020. This increase was largely a recovery to pre-pandemic levels as demand for oil returned. Offsetting the increase in oil prices was an increase in the Canadian dollar, which rose 6% from the first quarter of 2020. 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. In addition, the WTI/MSW oil price differential was much improved and stable in 2021 as it averaged USD $3.64/bbl during the first quarter as compared to USD $7.17/bbl in 2020. The combination of WTI prices. The WTI/MSW differential and foreign exchange rates resulted in the average Canadian light oil price increasing from $52.02/bbl in the first quarter of 2020 to $68.62/bbl in the first quarter of 2020. A similar result was realized in WCS prices wherein the first quarter, the 2021 average price was $57.43/bbl and for the first quarter of 2020 it was $34.10/bbl. Given that approximately one-third of Journey's crude oil production realize prices similar to WCS, the first quarter pricing for WCS was very constructive for crude oil revenues.

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. NYMEX prices appreciated significantly in 2021 to average US $3.56/mmbtu compared to $US $1.73/mmbtu in the first quarter of 2020. Likewise, AECO benchmark pricing was significantly higher by 54% at $3.13/mcf in the first quarter of 2021 as compared to $2.03/mcf during the same period in 2020. The 2020/21 winter was colder than in recent years. This coupled with reduced natural gas in storage resulted in higher prices throughout the winter than those experienced in 2019/2020. Currently, AECO prices are strong for this time of year and Journey expects higher prices throughout 2021 than those experienced in 2020.

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,		
	2021	2020	% Change
Natural gas ($/Mcf)	**3.00**	1.23	144
Crude oil ($/Bbl)	**57.37**	40.03	43
Natural gas liquids ($/Bbl)	**38.16**	19.00	101
Total ($/boe)	**34.57**	21.61	60

The 144% increase in realized natural gas prices and 43% higher crude oil prices led the 60% increase in average corporate prices during the first quarter of 2021. The combination of a cold winter in North America and return of oil demand were the drivers behind the increased realized prices.

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

In 2021 Journey did not have any derivative commodity contracts in place. Taking into account the impact of Journey's commodity contracts for 2020, the realized price comparisons were as follows:

	Three months ended March 31,		
	2021	2020	% Change
Natural gas ($/Mcf)	**3.00**	1.23	144
Crude oil ($/Bbl)	**57.37**	46.72	23
Natural gas liquids ($/Bbl)	**38.16**	19.00	101
Total ($/boe)	**34.57**	24.34	42

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

For the three months ended March 31, P&NG sales increased 29% to $23,575 in 2021 from $18,336 in 2020. The increase in sales was mainly due to the 60% increase in average corporate realized prices since the company experienced a 19% decrease in production volumes. The primary revenue generator was crude oil, which generated 63% of total revenues in the first quarter of 2021 as compared to 75% in 2020. The natural gas contribution increased 56% from 18% in 2020 to 28% in 2020 because of the 144% increase in natural gas prices quarter over quarter. NGL revenue accounted for 9% of total revenues which was 29% higher than the 7% realized in the first quarter of 2020.

	Three months ended March 31,		
P&NG Sales ($)	**2021**	2020	% Change
Natural gas	**6,621**	3,230	105
Crude oil	**14,818**	13,873	7
Natural gas liquids	**2,136**	1,233	73
Total	**23,575**	18,336	29

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

	Three months ended March 31,		
P&NG Sales (% Contribution)	**2021**	2020	% Change
Natural gas	**28**	18	56
Crude oil	**63**	75	(16)
Natural gas liquids	**9**	7	29
Total	**100**	100	

RISK MANAGEMENT ACTIVITIES

Journey periodically enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby protect Adjusted 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.

The gains (losses) on derivative contracts for the periods ended March 31, were as follows:

$ 000's	Three months ended March 31, 2021	2020	% Change
Realized	**-**	2,319	(100)
Unrealized	**-**	9,654	(100)
Total	**-**	11,974	(100)

$/boe	Three months ended March 31, 2021	2020	% Change
Realized	**-**	2.73	(100)
Unrealized	**-**	11.38	(100)
Total	**-**	14.11	(100)

At March 31, 2021, the Company did not have any commodity related derivative contracts in place.

ROYALTIES

For the three months ended March 31, royalties were $2,531 in 2021 as compared to $2,696 for the same period in 2020 representing a 6% decrease. On a per BOE basis, the royalty rate decreased 17% to $3.71 in 2021 as compared to $3.18 from last year. As a percentage of revenue, the rate for the first quarter of 2021 was 10.7% or 27% lower than the 14.7% realized in 2020. Despite average commodity prices being 60% higher, the royalty rate as a percentage of revenues decreased as oil reference prices were lower than realized prices and gas cost allowance credits more than offset the impact of rising natural gas prices.

Royalties ($)	Three months ended March 31, 2021	2020	% Change
Crown	**1,002**	1,409	(29)
Freehold/gross over-riding	**1,529**	1,287	19
Total royalties	**2,531**	2,696	(6)
Royalties (% of P&NG sales)	**10.7**	14.7	(27)

$ / BOE	Three months ended March 31, 2021	2020	% Change
Crown	**1.47**	1.66	(11)
Freehold/gross over-riding	**2.24**	1.52	47
Total	**3.71**	3.18	17

PROCESSING AND OTHER INCOME

Processing and other income is made up of three major components for 2021. Custom gas processing, treating, gathering and compression fees are what Journey considers to be cost recoveries and are directly tied to, or are ancillary to the Company's own operations. Because of this, for presentation in these MD&A Journey nets this income with field operating costs (see Operating Expense section below). The next category is Journey's recent venture into electricity generation. Journey's 4 MW facility in Countess has been producing electricity since late 2020 but 2021 was the first full quarter of operations and at approximately 68% of capacity as the equipment was being modified. Lastly, Journey realized a $902 payment with respect to a forfeited deposit by the prospective purchaser

of the Countess area assets, which was to have included the power generation facility. The breakdown of other income by category is as follows:

	Three months ended March 31,		
	2021	2020	% Change
Processing and cost recoveries	**807**	829	(3)
Electricity generation	**652**	-	-
Forfeited deposit	**902**	-	-
Total processing and other income	**2,361**	829	185

OPERATING EXPENSES

For the three months ended March 31, net operating expenses (after expense recoveries) were $9,858 or $14.46 per boe in 2021 as compared to $11,761, or $13.86 per boe in 2020. For the comparative periods, operating costs (before adjustments) decreased by 13%, which is consistent with the 19% lower production volumes quarter to quarter. Expense recoveries decreased by 3% as third party processing volumes were lower at Journey operated facilities.

	Three months ended March 31,		
	2021	2020	% Change
Operating expense per the financial statements	**11,000**	12,590	(13)
Less:			
Expense recoveries	**(807)**	(829)	(3)
Power generation expenses	**(335)**	-	-
Net operating expense	**9,858**	11,761	(16)
Net operating expense ($ per BOE)	**14.45**	13.86	4
Net expense (as a % of P&NG sales)	**41.8**	64.1	(35)

TRANSPORTATION

Transportation expenses were $299 for the three months ended March 31, 2021, or 1.3% of production revenue as compared to $452 and 2.5% for 2020. 25% lower crude oil and 13% lower NGL volumes delivered were the main contributors to the decrease in aggregate costs. Transportation costs per boe averaged $0.44 for the first quarter in 2021, or 17% lower than the same quarter in 2020 as the competiveness of trucking costs increased due to the impact of the pandemic. 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; distances covered; quantities shipped; load factors; as well as ownership of the transportation facilities.

	Three months ended March 31,		
	2021	2020	% Change
Transportation expense ($)	**299**	452	(34)
Expense ($ per BOE)	**0.44**	0.53	(17)
Expense (% of P&NG sales)	**1.3**	2.5	(48)

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the first quarter of 2021, G&A expense decreased 87% to $466 from $3,479 in 2020. Gross G&A expense decreased 69% from $4,267 in 2020 to $1,332 for the comparable three month period in 2021. Journey embarked on many cost saving measures starting in April of 2020 which included furloughing staff, reductions of salaries and benefits through the implementation of a four day work week; reducing its head office staff by seven through layoffs and renegotiating its head office lease effective November 1. These cost saving are now starting to be fully realized by the Company, but will have the full effect commencing in the second quarter. The large G&A expense in the first quarter of 2020 was attributable to a $1,917 bad debt related to a dispute Journey had with the purchaser of its natural gas. On a per BOE basis, Journey realized G&A expense of $0.68/boe for the first quarter of 2021, or 83% lower than the $4.10/boe in 2020. In both 2020and 2021 Journey received benefits under the Canadian Emergency Wage Subsidy (CEWS) program.

	Three months ended March 31,		
	2021	2020	% Change
Expense per the financial statements	**466**	3,479	(87)
Add:			
Overhead recoveries	**669**	788	(15)
Government subsidies	**197**	-	-
Gross expense	**1,332**	4,267	(69)
Expense ($ per boe)			
Expense per the financial statements	**0.68**	4.10	(83)
Gross expense	**1.95**	5.03	(61)

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 miscellaneous bank charges. Finance expenses increased 95% from the first quarter of 2020 to the first quarter of 2021 mainly due to the higher amortization costs on the deferred finance charges. These deferred finance charges relate primarily to the costs incurred in the debt restructuring, which concluded on October 30, 2020. Borrowing costs for the first quarter of 2021 decreased 18% to $2,028 in 2021 from $2,477 in 2020. For the first quarter of 2021, the average interest-bearing debt outstanding was $83,105, which was a 28% decrease from $115,922 for the comparable period in 2020. The average effective interest rate on outstanding borrowings increased 15% to 9.9% in 2021 from 8.6% in 2020 as higher costing term debt replaced the syndicated bank debt on October 30, 2020. On a per BOE basis, the non-accretion finance expense was $2.97 for the first quarter of 2021 as compared to $2.91 for the same quarter in 2020, representing a 2% increase, period over period. The lower aggregate borrowing costs were the result of a lower principal amount for borrowings. This was caused by the bank debt in 2020 being settled at an amount lower than its principal amount with the new term debt borrowings. While the term debt carries a higher interest rate than the previous bank debt, the overall interest-bearing debt decreased due to the settlement of the bank debt for less than its face value. This more than offset the impact of the higher interest rate on the new term debt. The per boe rate increased for the three month period in 2021 mainly due to the higher interest rates on the new term debt, but also because of the decrease in sales volumes by 19%.

	Three months ended March 31		
	2021	2020	% Change
Expense per financial statements	**6,134**	3,140	95
Add (Deduct):			
Accretion expense	**(1,291)**	(668)	93
Other amortization costs	**(2,817)**	-	-
Bank fees and other charges	**2**	5	(60)
Expense related to borrowings	**2,028**	2,477	(18)

	Three months ended March 31		
	2021	2020	% Change
Average interest-bearing debt	**83,105**	115,922	(28)
Effective interest rate	**9.9**	8.6	15
Expense ($ per boe)			
Related to borrowings & other fees	**2.97**	2.91	2
Finance expense – accretion & other	**6.02**	0.79	662
Total finance expense	**8.99**	3.70	143

SHARE BASED COMPENSATION

Share based compensation expense was $192 for the first quarter of 2021 as compared to $600 in 2020. The lower stock based compensation in the first quarter of 2020 was attributable to no long term incentives being granted to employees in 2020. Any capitalization is attributable to technical staff, who are directly related to exploration and development activities. The fair value of all share based compensation was estimated based on the date of issuance using a modified Black Scholes pricing model and is amortized over the vesting period.

	Three months ended March 31,		
	2021	2020	% Change
Expense per financial statements	**192**	600	(68)
Expense ($ per boe)	**0.28**	0.71	(61)

DEPLETION AND DEPRECIATION ("D&D")

For the three months ending March 31, aggregate D&D decreased 71% from $12,221 in 2020 to $3,541 in 2021. The D&D rate per BOE moved lower by 64% to $5.19 in 2021 from $14.40 in 2020 due to the large reduction in capitalized decommissioning costs, which reduced the depletable base by $27,940. This reduction was due to the increase in interest rates used to discount the asset retirement obligation liability.

	Three months ended March 31,		
	2020	2020	% Change
Depletion and depreciation	**3,541**	12,221	(71)
Expense ($ per boe)	**5.19**	14.40	(64)

IMPAIRMENTS

There were no asset impairments in 2021. However, 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, 2020, interest rates, health of the sector and the general economy, well performance and near term development plans. Due to the severe downturn in commodity prices attributable to the onset of the COVID pandemic, 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.

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

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

DEFERRED INCOME TAXES

No deferred tax asset was recorded in the first quarter of 2021 as Management made the determination that it was not probable that a significant portion of Journey's tax pools could be utilized given the projected future commodity prices. Journey has available $671,626 in deductible income tax 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	104,328
Canadian development expenses	30% declining balance	87,145
Canadian exploration expenses	100%	47,539
Undepreciated capital costs	7-100% declining balance	65,233
Financing costs	5 year straight line	2,439
Non-capital losses	100%	364,942
Total		671,626

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, 2021 Journey incurred an expense of $66 which was 86% lower than the $478 expensed in 2020.

	Three months ended March 31,		
	2021	2020	% Change
E&E expense	**66**	478	(86)
$ per BOE	**0.10**	0.56	(82)

NETBACKS

For the three months ended March 31, 2021 the operating netback was $15.96 per BOE which was 295% higher than the $4.04 per BOE realized in 2020. The increase in operating netback resulted primarily from a 60% increase in average commodity prices, but was partially offset by a 17% increase in royalty expense. For the quarter, G&A expenses were lower by 83% at $0.68/boe as the cost reduction strategies implemented in 2020 with the onset of the pandemic continued to benefit the Company in 2021. Interest expense was 2% higher at $2.97/boe as compared to $2.92 in 2020. The higher interest rates from Journey's new term debt structure implemented on October 30, 2020 took full effect in the first quarter of 2021. For the three months ended March 31, the Adjusted Funds Flow netback increased from $(0.25) in 2020 to $14.10 per boe in 2021 as stronger prices for all commodities created much of this change. In the non-cash component of the netbacks, Journey had a significant movement in its accretion costs as they increased 662% from $0.79 in 2020 to $6.02 in 2021. In addition, depletion charges were 64% lower in 2021 to average $5.19/boe as compared to $14.40 in the first quarter of 2020. The decrease in capitalized decommissioning obligations due to higher discount rates were the cause of this large decrease. The end result was net income of $2.50 per boe for the first quarter of 2021 as compared to a loss of $77.12 per boe in 2020.

	Three months ended March 31,		
($ per BOE)	**2021**	2020	% Change
Realized price	**34.57**	21.61	60
Royalties	**(3.71)**	(3.18)	17
Operating expenses	**(14.46)**	(13.86)	4
Transportation expenses	**(0.44)**	(0.53)	(17)
Operating	**15.96**	4.04	295
General and administrative	**(0.68)**	(4.10)	(83)
Finance expense - interest	**(2.97)**	(2.92)	2
Other income	**1.79**	-	-
Realized gain (loss) on derivatives	**-**	2.73	(100)
Adjusted Funds Flow	**14.10**	(0.25)	(5,975)
Unrealized loss on derivatives	**-**	11.38	(100)
Share based compensation	**(0.28)**	(0.71)	(61)
Depletion and depreciation	**(5.19)**	(14.40)	(64)
Impairments	**-**	(71.79)	(100)
Finance expense - accretion	**(6.02)**	(0.79)	662
Exploration & evaluation	**(0.10)**	(0.56)	(82)
Transaction costs	**(0.01)**	-	-
Net income (loss)	**2.50**	(77.12)	(103)

ADJUSTED FUNDS FLOW, CASH FLOW AND NET INCOME (LOSS)

Journey realized net income of $1,699 for the first quarter of 2021 as compared to the loss of $65,441 in 2020. The net income per share for 2021 was $0.04 for both basic and diluted calculations while for 2020 there was a loss of $1.52 per basic and diluted share.

For the three months ended March 31, Adjusted Funds Flow increased from $(205) in 2020 to $8,712 in 2020. The increase was largely attributable, period over period, to a 60% increase in average corporate realized prices. For the three months ended March 31, Adjusted Funds Flow per weighted average share in 2020 was $0.20 per basic and $0.18 per diluted share. Comparatively, Adjusted Funds Flow per basic and diluted share in 2020 was $(0.01).

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure which represents how much cash was generated by or used in Journey's business operations. Cash flow was $4,295 for the first quarter of 2021 versus $1,382 during the same quarter of 2020.

Per share data	Three months ended March 31, **2020**	2020	% Change
Net income (loss)	**1,699**	(65,441)	(103)
Basic ($/share)	**0.04**	(1.52)	(103)
Diluted ($/share)	**0.04**	(1.52)	(103)
Adjusted Funds Flow	**8,712**	(205)	(4,350)
Basic ($/share)	**0.20**	(0.01)	(2,100)
Diluted ($/share)	**0.18**	(0.01)	(1,900)
Cash flow from operations	**4,295**	1,382	211
Basic ($/share)	**0.10**	0.03	233
Diluted ($/share)	**0.09**	0.03	200

CAPITAL EXPENDITURES

For the first three months of 2021, Journey continued the theme from 2020 to limit its capital program to necessary expenditures as it tried to manage the impact from the COVID-19 pandemic. As a result Journey spent only $465 in the first quarter of 2021, which was a decrease of 86% from $3,276 spent in the same quarter of 2020. No wells were drilled in 2020 or 2021. Journey currently plans on spending approximately $2-3 million throughout all of 2021 for optimizations and some minor additional capital improvements for the Company's power generation project. 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, **2021**	2020	% Change
Land and lease rentals	**101**	101	-
Well equipment and facilities	**175**	748	(77)
Power generation assets	**189**	2,443	(92)
Total capital expenditures	**465**	3,292	(86)
PP&E dispositions	**-**	(16)	(100)
Net capital expenditures	**465**	3,276	(86)
Other:			
Decommissioning expenditures	**470**	386	22
Total capital expenditures	**935**	3,662	(74)

DECOMMISSIONING LIABILITIES ("DL")

At March 31, 2021, Journey has recorded a DL of $177,791 ($206,179 at December 31, 2020) for the future abandonment and reclamation of the Company's net ownership 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 0.3% (December 31, 2020 – minus 0.3%), which is comprised of a risk-free discount rate of 2.0% less an assumed inflation rate of 1.7%.

Accretion charges of $862 for the three months ended March 31, 2020 (March 31, 2020 - $544), respectively, have been recognized in the statements of comprehensive net income (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, 2021 was $470 (March 31, 2020 - $386).

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 Adjusted 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, 2021 and at the date of this MD&A. Throughout 2020 and extending into 2021 Journey has taken advantage of the Alberta Government's Site Rehabilitation Program. This program was designed to accelerate the abandonment and reclamation of oil and gas wells and facilities in Alberta. So far to date Journey has been allocated $3.7 million under the program and we have used $1.1 million of this amount doing closure work on approximately 100 well sites.

LEASE OBLIGATION LIABILITIES ("LO")

At March 31, 2020, Journey's discounted lease obligations were $1,214 (December 31, 2020 - $1,271). 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 $33 for the three months ended March 31, 2021 (March 31, 2020 -$81) have been recognized in the statements of comprehensive net income (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, 2021 and 2020 were $90 and $417 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.

The consolidated financial statements, including prior year comparative information, 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.

While the Company has concluded substantial efforts to improve its overall debt position in 2020, there still remains uncertainties, which are being primarily caused by the ongoing Covid-19 Pandemic (see comments below) with respect to commodity prices. This in turn can have a negative impact on Journey's ability to repay its maturing term debt in 2021 and could cast doubt as to the Company's ability to continue as a going concern. The recent improvement in commodity prices has been positive in improving the outlook for the Company's liquidity, however, with the inability of the purchaser to close the previously announced Countess asset disposition on March 1, 2021 there remains uncertainty over the Company's ability to repay AIMCo the two, term-debt tranches totalling $21.25 million (after the $3.75 million repayment made on March 2, 2021) that are due in 2021. AIMCo is the single largest shareholder and the sole debt holder in Journey and the Company continues to explore an amicable solution to the maturities.

Under the AIMCo credit facility, and pursuant to a recent amendment to the agreement, the Company is required to maintain a Liability Management Rating ("LMR") greater than 1.5. The Company was in compliance with this requirement as at March 31, 2021 and remains in compliance as of this date. The Company has applied for and has received approval for funding under a recent program announced by the Federal Government to reclaim and abandon certain properties. This program, will improve Journey's Liability Management Rating.

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.

Covid-19 Pandemic

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 above);
- 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. Recently, and concurrent with global announcements of vaccine rollouts, oil and natural gas prices have improved. This has been helpful to the industry and the Company. However, there still remains an element of uncertainty over how quickly the global economic can recover and if there are additional waves related to the pandemic. 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.

Net Debt of the Corporation at March 31, 2021 was $83,729. This amount was comprised of working capital deficit of $14,249 (current assets minus current liabilities minus but excluding the components related to asset retirement obligations and lease obligation liabilities) plus the long-term portion of the principal amount of term debt of $69,480.

RELATED PARTY TRANSACTIONS

The Company considers its directors and executives to be key management personnel and are therefore related parties. For the three month periods ended March 31, compensation for these individuals is comprised of the following:

	2021	2020
Salaries and director fees	**300**	269
Short-term employee benefits	**13**	14
Share based payments (i)	**101**	215
Total	**414**	498

(i) These amounts represent the amortization of share based compensation associated with the Company's share based compensation plans.
(ii) As at March 31, 2021 there were nine (March 31, 2020 – nine) individuals that were considered key management personnel.

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	**< 1 year**	**2-3 years**	**4-5 years**	**After**
Term debt – principal amount	**85,914**	21,250	22,946	41,718	-
Interest on term debt	**15,698**	6,449	5,010	4,239	-
Contingent bank payments - maximum	**5,750**	750	2,250	2,750	-
Natural gas transportation	**532**	178	268	76	10
Operating leases	**3,974**	885	1,676	1,413	-
Total	**111,868**	29,512	32,150	50,196	10

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 7, 2021	**March 31, 2021**	March 31, 2020
Common shares outstanding	44,001	**44,001**	43,087
Options, warrants, share awards	8,003	**8,503**	5,087
Fully diluted shares	52,004	**52,504**	48,174
Weighted average common shares			
Basic	N/A	**44,001**	43,087
Diluted	N/A	**47,974**	43,087

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Mar 31, 2021	Dec 31, 2020	Sep. 30, 2020	June 30, 2020
Production (boe/d)	7,577	8,074	8,311	7,808
Average prices realized, pre-hedging ($/boe)	34.57	26.46	24.53	15.71
Petroleum and natural gas sales	23,575	19,651	18,759	11,166
Net income (loss)	1,699	32,343	(8,037)	(15,489)
Basic – per share ($/share)	0.04	0.75	(0.19)	(0.36)
Diluted – per share ($/share)	0.04	0.75	(0.19)	(0.36)
Adjusted Funds Flow	8,712	6,040	4,427	3,213
Basic – per share ($/share)	0.20	0.14	0.10	0.07
Diluted – per share ($/share)	0.18	0.14	0.10	0.07
Cash flow from operations	4,295	2,909	4,750	2,627
Total assets	258,234	287,673	292,647	289,482
Net capital expenditures	465	817	1,933	1,040
Long term financial liabilities	239,658	265,931	208,146	242,152
Net debt	83,729	90,355	124,644	126,634

	Mar. 31, 2020	Dec 31, 2019	Sep. 30, 2019	June 30, 2019
Production (boe/d)	9,325	9,463	9,445	9,248
Average prices realized, pre-hedging ($/boe)	21.61	31.17	30.10	32.56
Petroleum and natural gas sales	18,336	27,134	26,158	27,400
Net income (loss)	(65,441)	(7,654)	(7,055)	(12,559)
Basic – per share ($/share)	(1.52)	(0.18)	(0.18)	(0.32)
Diluted – per share ($/share)	(1.52)	(0.18)	(0.18)	(0.32)
Adjusted Funds Flow	(205)	5,905	6,020	7,556
Basic – per share ($/share	(0.01)	0.14	0.15	0.18
Diluted – per share ($/share)	(0.01)	0.13	0.14	0.18
Cash flow from operations	1,382	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

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 2021 had markedly improved commodity prices with Journey realizing an average of $34.57/boe. Realized natural gas prices increased 17% from the previous quarter while realized crude oil prices increased 35%. While sales volumes fell to 7,577 boe/d, the increased prices allowed Journey to turn a profit of $1,699 and generate $8,712 in Adjusted Funds Flow. Capital spending of $465 was limited to small optimization projects and a minor enhancement to the power generation project. The first quarter was the first full quarter of operations for the power project. While the asset was at approximately 68% of capacity due to additional modifications being done, Journey still generated 5,854 MW of electricity at an average price of $130/MW. Journey repaid $3.75 million of AIMCo term debt in the quarter.
- During the fourth quarter of 2020, production volumes averaged 8,074 (54% natural gas), which was a 3% decrease from 8,311 boe/d in the third quarter. Realized prices increased 8% to average $26.46/boe from the previous quarter. This increase was led by the increase in natural gas prices by 24% from the third quarter as the onset of winter pricing took hold. However, by mid-December the pandemic took hold again and worldwide economies were starting to close again due to the second wave of infections. Capital spending was almost exclusively getting the power project operating and de-bugged. Electricity generation for the months of October and November were minimal during this de-bugging period. Due to the uncertainty surrounding the negotiations with its syndicate of banks, coupled with the direction and instability of both natural gas and oil price, Journey did not drill any new wells in the fourth quarter. The discussions with the banks culminated in a deal on October 30 to buy the bank debt then outstanding ($75 million) for $38 million plus a $5.75 million future contingent payment. The funds to buy the banks debt were provided by Journey's largest shareholder AIMCo.
- The third quarter had production of 8,311 boe/d (53% natural gas) as most second quarter production was brought back on-line as oil prices rose. Average realized commodity prices were $24.53/boe in the third quarter with oil prices rising to $42.36/bbl and natural gas prices were $2.08/mcf. Funds flow was $4,427 and capital spending was restricted to mainly the power generation project wherein $1,933 was incurred during the quarter. The power project was commissioned on September 29. The Company exited the quarter with $124,644 in net debt of which $73 million was bank debt. The Company remained in forbearance on its syndicated bank line during the third quarter as it worked its way to a solution.
- The second quarter saw realized oil prices drop to $7.25/bbl in April. As a result Journey shut-in approximately 1,500 boe/d of production. Natural gas prices were reasonably consistent during the quarter as their range was $1.81/mcf to $1.97/mcf. The quarter ended up with Funds Flow of $3,213 and sales volumes averaged 7,808 boe/d (58% natural gas) as compared to 9,325 boe/d (52% natural gas) in the first quarter of 2020. Capital spending was limited to the ongoing completion of the power project as $1.0 million in capital was spent during the second quarter. The Company exited the quarter with $126.6 million of net debt.
- The first quarter of 2020 started 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 tieing-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.

CRITICAL ACCOUNTING ESTIMATES

The consolidated interim financial statements for the three months ended March 31, 2021 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, 2020.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2020 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2020 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, 2020, 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 2021.

There were no new or amended accounting standards or interpretations issued during the period ended March 31, 2021 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 dealing with its lending banks as the primary counterparties.

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, 2021:

	< 1 year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	13,850	-	-	13,850
Other liabilities	750	2,250	2,750	5,750
Term debt - principal	21,250	22,946	41,718	85,914
Interest on term debt	6,449	5,010	4,239	15,698

<u>Credit Risk</u>
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 influence 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.

<u>Credit Facility Risk</u>
The global pandemic continues to cause issues with industry debt providers as the decrease in world oil prices are felt by all producers. On October 30 Journey entered into a three way agreement between its term debt provider (AIMCo) and its syndicate of banks wherein the bank debt was settled and AIMCo became its sole debt provider. There is still a risk that give the impact of the pandemic and the time needed for the economy to recover, that Journey may not be able to make its scheduled principal and interest payments. While AIMCo, as the largest shareholder of Journey, has been supportive of Journey, there is no assurance that they will not enforce their security should the payments not be made.

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. As of the debt restructuring that occurred on October 30, 2020 all of Journey's borrowings are term debt which carry fixed interest rates. However, as these various tranches of term debt mature, Journey will need to renegotiate new terms to the extent that the debt is not repaid at maturity. The interest rates could increase materially upon these renegotiations to the extent market interest rates have moved upward.

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 decade, 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, environmental and industry regulators are constantly evolving. Accounting and regulatory 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, 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 AER has made changes to its LLR program whereby operators are rated with respect the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey’s rating is currently 1.8 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, 2021, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporations ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the first quarter of 2021.

The March 31, 2021 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.