MANAGEMENT'S DISCUSSION AND ANALYSIS – SECOND QUARTER, 2020

The following Management's Discussion and Analysis ("MD&A") was prepared on August 4, 2020 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three and six months ended June 30, 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 and six months ended June 30, 2020 and 2019 along with the notes related thereto.

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 has prepared its unaudited consolidated financial statements and comparative information 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. Management also uses them 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; 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:

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Cash flow provided by operating activities	**2,627**	5,472	(52)	**3,946**	11,785	(67)
Add (deduct):						
Changes in non-cash working capital	**597**	1,991	(70)	**(1,314)**	3,562	(137)
Transaction costs	**1**	10	(90)	**2**	17	(88)
Decommissioning costs incurred	**(12)**	83	(114)	**374**	309	21
Funds Flow	**3,213**	7,556	(57)	**3,008**	15,673	(81)

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

"**Net debt**" is used to assess efficiency, liquidity and general financial strength of Journey and is used to compare this financial strength to its peers. Net debt as at the end of each relevant period is calculated as follows:

	June 30, 2020	December 31, 2019	% Change	June 30, 2019	% Change
Principal amount of bank debt, less cash in bank	**74,297**	68,900	8	68,165	9
Principal amount of term debt	**46,313**	44,000	5	52,000	(11)
Accounts payable and accrued liabilities	**16,864**	27,715	(39)	24,830	(32)
Deduct:					
Accounts receivable	**(8,922)**	(15,193)	(41)	(13,204)	(32)
Prepaid expenses and deposits	**(1,918)**	(1,209)	59	(3,340)	(43)
Net debt	**126,634**	124,213	2	128,451	(1)

Abbreviations and BOE Advisory

bbl	*barrel*
bbls	*barrels*
boe	*barrels of oil equivalent*
boe/d	*barrels of oil equivalent per day*
gj	*gigajoules*
IFRS	*International Financial Reporting Standards*
Mbbls	*thousand barrels*
MMBtu	*million British thermal units*
NGL's	*natural gas liquids*
Mboe	*thousand boe*
Mcf	*thousand cubic feet*
Mmcf	*million cubic feet*

Mmcf/d	*million cubic feet per day*
MSW	*Mixed sweet Alberta oil price*
WCS	*Western Canada Select oil price*
WTI	*West Texas Intermediate 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*.

Amounts

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

HIGHLIGHTS FROM THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

Financial

Journey recorded Funds Flow of $3,213 in the second quarter of 2020, which was 57% lower than the $7,556 realized in the same quarter of 2019. The toll extracted from the COVID-19 pandemic took full effect in the second quarter as oil prices dropped into the unprecedented negative territory. Realized oil prices for April dropped to an average of CAD $7.25/bbl. Cash flow from operating activities was $315 in the second quarter of 2020 as compared to $5,472 in 2019. The precipitous drop in oil prices were partially mitigated by the oil hedges the Company had in place. Journey realized hedging gains of $4,363 during the quarter. The Company experienced a net loss of $15,489 during the quarter of $0.36 per share (basic and diluted). The Company exited the quarter with net debt of $126,634.

Capital spending

With the uncertain duration and impact of the pandemic, the Company conserved its resources and spent only $1,040 during the second quarter. These costs were mainly attributable to the continuing work on the Company's power generation project in Countess. During the second quarter, Journey did not drill any wells.

Production

Production decreased by 16% in the second quarter of 2020 to average 7,808 boe/d versus 9,248 boe/d in the second quarter of 2019. Quarter over quarter production decreased 9% in the second quarter as compared to the first quarter of 2020 (8,567 boe/d). The decrease in production was mainly the result of approximately 1,500 boe/d of production that was shut in in early April due to uneconomic oil prices.

Liquidity

The COVID-19 pandemic caused turmoil with the liquidity of oil and natural gas producers. Since Journey was in default of its scheduled bank line repayments, on April 24, 2020 Journey and its banking syndicate entered into a forbearance agreement. 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 has been extended three times. The latest extension expires on August 7, 2020 and if not extended, the entire amount of the borrowings will come due immediately. Journey continues to work with the syndicate and its advisors to work toward a mutually acceptable solution with respect to its bank borrowings.

Outlook
Starting on April 1 Journey shut-in approximately 1,500 boe/d (73% oil and NGL) due to the very low oil prices being received. Commensurate with the increase in oil prices experienced in June, all but approximately 200 boe/d (64% liquids) of non-operated volumes have been brought back on-production starting in early July. Because 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 currently projected to be approximately $6 million for the entire year.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Total daily sales volumes decreased 16% to 7,808 boe/d for the second quarter of 2020 from 9,248 boe/d in 2019. The decrease was attributable to the combination of shut-in volumes due to very low oil prices and to a lesser extent natural declines. For the six-month periods, daily sales volumes decreased 8% to 8,567 boe/d for 2020 from 9,288 boe/d in 2019.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas (Mcf/d)	**27,181**	29,162	(7)	**28,002**	29,250	(4)
Crude oil (Bbl/d)	**2,627**	3,815	(31)	**3,218**	3,850	(16)
Natural gas liquids (Bbl/d)	**651**	573	14	**682**	563	21
Barrels of oil equivalent	**7,808**	9,248	(16)	**8,567**	9,288	(8)

Volumetric Product Mix

Due to the shut-in volumes of just over 1,500 boe/d throughout most of the second quarter, the product mix shifted significantly away from oil production in favour of natural gas. The Company shut-in as much uneconomic oil production as possible in response to the exceptionally low oil prices experienced in the quarter. As a result, natural gas volumes increased 9% in the quarter and oil volumes decreased by 17%.

	Three months ended June 30,			Six months ended June 30,		
% of Aggregate Production	**2020**	2019	% Change	**2020**	2019	% Change
Natural gas	**58**	53	9	**54**	53	2
Crude oil	**34**	41	(17)	**38**	41	(7)
Natural gas liquids	**8**	6	33	**8**	6	33
Total	**100**	100		**100**	100	

Average Benchmark Price Indices

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Crude Oil						
WTI (US$/Bbl)	**27.84**	59.84	(53)	**37.01**	57.33	(35)
Canadian light (CDN$/Bbl)	**31.45**	72.55	(57)	**41.74**	69.74	(40)
WCS (CDN$/Bbl)	**22.42**	65.75	(66)	**28.26**	61.21	(54)
Natural Gas						
NYMEX (US $/Mmbtu)	**1.71**	2.51	(32)	**1.81**	2.69	(33)
AECO - Daily (CDN$/Mcf)	**2.01**	1.11	81	**2.02**	1.86	9
Foreign Exchange						
Canadian to US	**1.386**	1.338	4	**1.365**	1.333	2
US to Canadian	**0.722**	0.748	(3)	**0.733**	0.750	(2)

WTI oil prices decreased 53% in the second quarter of 2020 to average US $27.84/bbl as compared to US $59.84 bbl in the second quarter of 2019. The Canadian dollar declined 4% against the US dollar during the second 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 average Canadian light oil price decreased from an average of CAD $72.55/bbl in the second quarter of 2019 to CAD $31.45/bbl in the second quarter of 2020. A similar result was realized in WCS prices wherein during the second quarter of 2020 WCS was CAD $65.75, and this declined to CAD $22.42 for the second quarter of 2020.

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. Natural 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 81% higher at $2.01/mcf in the second quarter of 2020 as compared to $1.11/mcf during the same period in 2019. While AECO prices were appreciably higher in 2020 as compared to, 2019 they are still at a very low level due to higher storage levels and resilient production out of the US.

Realized Prices

Commodity prices realized by Journey were as follows:

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

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas ($/Mcf)	**1.92**	1.12	71	**1.57**	1.81	(13)
Crude oil ($/Bbl)	**24.32**	66.85	(64)	**33.62**	62.36	(46)
Natural gas liquids ($/Bbl)	**10.07**	23.20	(57)	**14.74**	28.14	(48)
Average ($/boe)	**15.71**	32.56	(52)	**18.92**	33.25	(43)

Average commodity prices were 52% lower at $15.71/boe in the second quarter of 2020 as compared to $32.56/boe in 2019. While natural gas prices were 71% higher in the second quarter of 2020 at $1.92/mcf as compared to $1.11/mcf in 2019, it was the severe decline in realized oil prices that caused corporate average prices to drop so significantly. Oil prices were 64% lower and NGL prices were 57% lower than in 2019. For the six months ended June 30, 2020 Journey's average realized commodity prices were 43% lower for the six months of 2020 at $18.92/boe as

compared to $33.25/boe in 2019. Realized oil prices fluctuated widely from a high of $55 in January to a low of approximately $7 in April. The COVID-19 pandemic and the Russia-Saudi price war caused the precipitous drop in April. Realized oil prices for Journey recovered to $46/boe in June.

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

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

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas ($/Mcf)	**1.91**	1.12	71	**1.56**	1.81	(14)
Crude oil ($/Bbl)	**42.74**	66.73	(36)	**45.10**	61.90	(27)
Natural gas liquids ($/Bbl)	**10.07**	23.20	(57)	**14.74**	28.14	(48)
Average ($/boe)	**21.85**	32.51	(33)	**23.21**	33.06	(30)

RISK MANAGEMENT ACTIVITIES

At June 30, 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)
Call	500	WTI NYMEX	CDN$87.00	April 1, 2020 to December 31, 2020	12
Swap	500	WTI NYMEX	CDN$74.25	January 1, 2020 to September 30, 2020	953
Collar	500	WTI NYMEX	CDN$66.00-81.00	January 1, 2020 to December 31, 2020	1,200
Diff swap	250	WCS/USD	($15.50)	April 1, 2020 to September 30, 2020	(93)
Diff swap	250	WCS/USD	($15.45)	April 1, 2020 to September 30, 2020	(92)
Diff swap	500	NGX index	USD$6.50	January 1, 2020 to December 31, 2020	(131)
Net fair value asset – oil contracts					1,849

Natural Gas Contract

Contract Type	Volume gj/d	Reference Price	Contract price $/gj	Term	Asset (Liability)
Collar	5,000	AECO	1.40 – 1.75	April to October 2020	(89)

Net derivative contract asset	1,760

The gain (loss) on derivative contracts for the periods ended June 30, are as follows:

	Three months ended June 30,			Six months ended June 30,		
$ 000's	**2020**	2019	% Change	**2020**	2019	% Change
Realized	**4,363**	(43)	(10,247)	**6,682**	(323)	(2,169)
Unrealized	**(7,439)**	357	(2,184)	**2,216**	(960)	(331)
Total	**(3,076)**	314	(1,080)	**8,898**	(1,283)	(794)

$/boe	Three months ended June 30, 2020	2019	% Change	Six months ended June 30, 2020	2019	% Change
Realized	**6.14**	(0.05)	(12,380)	**4.29**	(0.19)	(2,358)
Unrealized	**(10.47)**	0.42	(2,593)	**1.42**	(0.57)	(349)
Total	**(4.33)**	(0.37)	(1,070)	**5.71**	(0.76)	(851)

The change in the value of these contracts for the quarter ended June 30, 2020 resulted in a realized gain of $4,363 and an unrealized loss of $7,439. The realized gain in the second quarter was primarily attributable to WTI oil prices decreasing significantly below Journey's floor hedged amounts for oil contracts. At June 30, 2020, the estimated fair value of all commodity hedging contracts was a net asset of $1,760.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby protects funds flows, which are used to fund both our capital program and debt repayment. 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.

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

In the second quarter of 2020, aggregate P&NG sales decreased 59% to $11,166 as compared to $27,400 for the same period in 2019. The decrease in sales revenue was caused by the combination of a decrease in average production volumes by 16%, coupled with a decrease in average realized commodity prices of 52%.

For the six months ended June 30, aggregate P&NG sales decreased 47% to $29,502 in 2020 from $55,898 in 2019. For the six months ended June 30, 2020, the decrease in P&NG sales was primarily the result of an 8% decrease in average sales volumes and a 43% decrease in average realized commodity prices. The average price decrease was made up of decreases of 13% for natural gas, 46% for oil, and 48% for NGL's compared to the same six month period in 2019.

$	Three months ended June 30, 2020	2019	% Change	Six months ended June 30, 2020	2019	% Change
Natural gas	**4,754**	2,983	59	**7,984**	9,569	(17)
Crude oil	**5,815**	23,209	(75)	**19,688**	43,462	(55)
Natural gas liquids	**597**	1,208	(51)	**1,830**	2,867	(36)
P&NG sales	**11,166**	27,400	(59)	**29,502**	55,898	(47)

Sales - % Contribution	Three months ended June 30, 2020	2019	% Change	Six months ended June 30, 2020	2019	% Change
Natural gas	**43**	11	291	**27**	17	59
Crude oil	**52**	85	(39)	**67**	78	(14)
Natural gas liquids	**5**	4	25	**6**	5	20
Total	**100**	100		**100**	100	

ROYALTIES

For the second quarter of 2020, total royalties were $673 as compared to $3,216 for the same period in 2019. On a per boe basis, the royalty rate decreased to $0.95 in 2020 as compared to $3.82 in 2019. As a percentage of revenue, the rate for the second quarter of 2020 decreased 49% to 6.0% from 11.7%, which was realized in 2019. The decrease in the aggregate royalties, as well as the decrease in the royalty rate, as a percentage of revenues was

attributable to the significant decrease in realized commodity prices for oil and NGL's as well as an annual adjustment to gas cost allowance.

For the six months ended June 30, royalties were $3,369 in 2020 as compared to $6,482 for the same period in 2019. On a per boe basis, the royalty rate decreased 44% to $2.16 in 2020 as compared to $3.86 from 2019. As a percentage of revenue, the rate for the six months of 2020 was 11.4% or 2% lower than the 11.6% realized in 2019.

The decline in oil prices was the main reason for the significant decline in royalty rates. Benchmark Canadian oil prices declined 57% in the second quarter from last year. This coupled with the natural declines in well productivity caused the royalty rates per boe to decline by 75%. Journey is anticipating a corporate royalty rate of approximately 11.5% for the balance of 2020 based on Management's internal forecast of commodity prices and the anticipated productivity of its wells. However, this could change significantly, as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

	Three months ended June 30,			Six months ended June 30,		
$	**2020**	2019	% Change	**2020**	2019	% Change
Crown	**103**	2,112	(95)	**1,512**	3,499	(57)
Freehold/gross over-riding	**570**	1,104	(48)	**1,857**	2,983	(38)
Total royalties	**673**	3,216	(79)	**3,369**	6,482	(48)
Royalties (as a % of P&NG sales)	**6.0**	11.7	(49)	**11.4**	11.6	(2)

	Three months ended June 30,			Six months ended June 30,		
$ / boe	**2020**	2019	% Change	**2020**	2019	% Change
Crown	**0.14**	2.51	(94)	**0.97**	2.09	(53)
Freehold/gross over-riding	**0.81**	1.31	(38)	**1.19**	1.77	(33)
Total royalties	**0.95**	3.82	(75)	**2.16**	3.86	(44)

NET OPERATING EXPENSES

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Operating expense per the financial statements	**8,684**	12,863	(32)	**21,274**	25,348	(16)
Less: expense recoveries	**(628)**	(701)	(10)	**(1,457)**	(1,359)	7
Net operating expenses	**8,056**	12,162	(34)	**19,817**	23,989	(17)
Net expense ($ per BOE)	**11.34**	14.45	(22)	**12.71**	14.27	(11)
Net expense (% of P&NG sales)	**72.1**	44.4	62	**67.2**	42.9	57

Net operating expenses were $8,056 or $11.34 per boe for the second quarter of 2020 as compared to $12,162, or $14.45 per boe in 2019. For the six months ended June 30, net operating costs were $19,817 or $12.71 per boe in 2020 as compared to $23,989 or $14.27 per boe in 2019. In addition to the variable cost savings from the shut-in production, Journey pursued a complete review of its field operating costs during the second quarter. Both initiatives contributed to the 32% decline in aggregate costs for the second quarter of 2020. For the remainder of 2020, Journey expects the net operating expense per boe rate to average in the $12 range, which will bring the annual guidance to be in the mid-$12/boe range.

TRANSPORTATION

Transportation expenses were $286 for the second quarter of 2020, and represented 2.6% of P&NG sales for the period as compared to $370 and 1.4% for the same quarter of 2019. The cost per boe averaged $0.40 in the second quarter, which was 9% lower than the same period in 2019. For the six months ended June 30, transportation expenses were $738 for 2020 or 6% lower than $782 for the comparable period in 2019. On a per boe basis, costs were $0.47 for both year-to-date periods. Journey is currently expecting the per boe rates for the rest of 2020 to be in the low-$0.40 range. 16% lower production volumes were the main reason for the decrease in the aggregate expense. However, the competitive bidding for clean oil trucking has driven the per boe rates lower in the second quarter of 2020. 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 June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Transportation expense	**286**	370	(23)	**738**	782	(6)
Expense ($ per boe)	**0.40**	0.44	(9)	**0.47**	0.47	-
Expense (% of P&NG sales)	**2.6**	1.4	86	**2.5**	1.4	79

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE

For the second quarter of 2020, G&A expense after recoveries was lower by 72% at $471 as compared to $1,669 in 2019. The decrease in G&A costs during the second quarter was mainly attributable to the impact of the cost cutting measures employed in the last half of 2019 surrounding Journey's initiative to re-bid out certain services and to eliminate other redundant services. In addition, and in light of the shut-in volumes, Journey 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. On a per boe basis, Journey realized G&A of $0.66 for the second quarter of 2020, or 67% lower than the $1.98 realized in 2019.

For the six months ended June 30, 2019 G&A expense after recoveries was 1% higher at $3,950 as compared to $3,894 in 2019. G&A after recoveries per boe was $2.53 in 2020 or 9% higher than $2.32 in 2019. The 8% lower production levels and the $1,917 bad debt realized in the first quarter from a dispute with Journey's natural gas marketer caused the per boe amounts to increase.

For the balance of 2019, Journey expects its adjusted G&A to be in the $2.75 per boe range based on currently forecast G&A and production levels.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Expense per financial statements	**471**	1,669	(72)	**3,950**	3,894	1
Add:						
Overhead recoveries	**588**	809	(27)	**1,376**	1,339	3
Capitalized G&A	**-**	137	(100)	**-**	255	(100)
Gross expense	**1,059**	2,615	(60)	**5,326**	5,488	(3)
Expense ($ per boe)						
Expense per financial statements	**0.66**	1.98	(67)	**2.53**	2.32	9
Gross expense	**1.49**	3.10	(52)	**3.42**	3.27	5

FINANCE EXPENSE

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 4% from the second quarter of 2019 compared to the second 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. Borrowing costs for the second quarter of 2020 increased 19% to $2,830 in 2020 from $2,384 in 2019. For the second quarter of 2020, the average interest-bearing debt outstanding was $118,073, which was a 5% decrease from $124,760 for the comparable period in 2019. The average effective interest rate on outstanding borrowings increased 25% to 9.6% in 2020 from 7.7% in 2019. On a per BOE basis, the cash finance expense was $3.98 for 2020 as compared to $2.83 for 2019, representing a 41% increase, period over period. The increase in interest expense in the second quarter of 2020 was mainly due to an increase in bank lending rates starting in December of 2019, but also includes the higher interest rate on the term debt from the restructuring in September of 2019, as well as a 1% increase in term debt interest rates for the first six months of 2020 and the forbearance fees. The per boe rate increased due to the higher interest rates and the 16% lower production volumes.

For the six months year to date, total finance expense was 8% lower than in 2019. While interest rates are higher in 2020, the average, interest-bearing debt and the accretion charges were lower by 8% and 48% respectively. On a per boe basis the borrowing costs were 20% higher at $3.40/boe as compared to $2.83/boe in 2019. Total finance expense was $4.21/boe, which is consistent with the $4.26 realized in 2019.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Expense per financial statements	**3,425**	3,574	(4)	**6,565**	7,161	(8)
Add/(Deduct):						
Accretion expense	**(595)**	(1,190)	(50)	**(1,263)**	(2,406)	(48)
Miscellaneous bank charges/credits	**-**	-	-	**5**	-	-
Finance expense related to borrowings	**2,830**	2,384	19	**5,307**	4,755	12
Average interest bearing debt	**118,073**	124,760	(5)	**116,997**	127,596	(8)
Average interest rate (%)	**9.6**	7.7	25	**9.1**	7.5	21
Expense ($ per boe)						
Non-accretion finance expense ($ per boe)	**3.98**	2.83	41	**3.40**	2.83	20
Accretion ($/boe)	**0.84**	1.41	(40)	**0.81**	1.43	(43)
Expense per financial statements ($ per boe)	**4.82**	4.24	14	**4.21**	4.26	(1)

SHARE BASED COMPENSATION

Share based compensation expense was $543 for the second quarter of 2020 as compared to $781 in 2019. The lower stock based compensation in the second quarter of 2020 was attributable to a lower quantity of long-term incentives granted to employees in the fourth quarter of 2019 and at a lower share price. For the six months, ended June 30, 2020 the Company realized $1,143 in share based compensation expense as compared to $1,601 in 2019. During 2020 the Company has not capitalized any share based compensation expense. 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 June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Expense per financial statements	**543**	781	(30)	**1,143**	1,601	(29)
Expense ($ per boe)	**0.76**	0.93	(18)	**0.73**	0.95	(23)

DEPLETION AND DEPRECIATION ("D&D")

Aggregate D&D increased from $8,824 in the second quarter of 2019 to $10,116 in 2020. While aggregate production volumes decreased by 16% in the second quarter of 2020, the 15% increase in the aggregate D&D expense was primarily attributable to the increased depletable base in 2020 resulting from additional capitalized asset retirement obligations, which in turn was caused by a decrease in interest rates used to discount the decommissioning obligations. On a per boe basis, D&D was $14.24 for 2020 as compared to $10.49 in 2019, representing a 36% increase.

For the six months ending June 30, aggregate D&D increased by 29% from $17,282 in 2019 to $22,337 in 2020. On a per boe basis D&D was $14.33 in 2020, a 39% increase from $10.28 in 2019.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Depletion and depreciation ($)	**10,116**	8,824	15	**22,337**	17,282	29
Expense ($ per boe)	**14.24**	10.49	36	**14.33**	10.28	39

IMPAIRMENTS

At the end of each reporting period, the Company assesses whether there are indicators of impairment. The assessment factors in reserve changes; changes in commodity prices since December 31, 2019; interest rates; the health of the sector as well as the overall economy; well performance; and near term development plans. Only if these indicators are present does the Company conduct a full impairment test. The Company evaluated whether there were further indicators of impairment as at June 30, 2020 and concluded that given the restarting of the worldwide economies from the onset of the pandemic and the increase in oil prices from March 31, 2020 there were no indicators of impairment. Therefore, the Company CGU's were not tested for further impairment.

However, at March 31, 2020, the Company assessed whether there were indicators of impairment. 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.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
PP&E impairment	**-**	-	-	**60,923**	-	-
Expense ($ per boe)	**-**	-	-	**39.07**	-	-

EXPLORATION AND EVALUATION (E&E) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed during the accounting period. During the three months ended June 30, 2020 Journey incurred an expense of $8, which was 88% lower than the $66 expensed in 2019. For the six months ended June 30, 2020, the expense was $486 as compared to $452 in 2019. No impairments of E&E assets were realized in 2020 to date.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
E&E expense	**8**	66	(88)	**486**	452	8
$ per boe	**0.01**	0.08	(88)	**0.31**	0.27	15

TAXES

For the three and six month periods ended June 30, 2020, no deferred tax expense or asset was recorded. This was because it is currently a continuing conclusion of management that is not probable that the deferred tax asset would be realized. Given the weak commodity price environment and the excess tax pools the Company has generated over the years, it is not likely a significant portion of the tax pools would be utilized.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Deferred tax expense	**-**	**9,601**	(100)	**-**	9,601	(100)
Deferred tax expense ($ per boe)	**-**	**11.41**	(100)	**-**	5.71	(100)

The income tax pool balances, by category, at June 30, 2020 (before any de-recognition), were as follows:

Tax Pool	**Deductible rate**	**Amount**
Canadian oil & gas property expenses	10% declining balance	112,437
Canadian development expenses	30% declining balance	105,628
Canadian exploration expenses	100%	47,539
Undepreciated capital costs	7-100% declining balance	77,988
Financing costs	5 year straight line	521
Non-capital losses	100%	377,175
Total		721,288

NETBACKS

The operating netback of $3.02 per boe for the second quarter of 2020 decreased by 78% from $13.85 for the same period in 2019. For the six months ended June 30, the operating netback was $3.58 per boe for 2020, which was a 76% decrease from $14.65 for 2019. The decrease in the operating netback for the second quarter was mainly due to the 16% decrease in sales volumes and the 52% decline in average commodity prices. These decreases were mitigated by decreases in royalties of 75% and operating expenses of 22%. For the year to date, the operating netback decreased by 76% with most of this decline coming from an 8% decline in sales volumes and a 43% decrease in average commodity prices. Royalty and operating expenses decreased by 44%, and 11% respectively.

The funds flow netback per boe for the second quarter of 2020 was $4.52 per boe, which was 50% lower than the $8.99 in the same quarter of 2019. The most significant contributor to the lower netback was the aforementioned decrease in operating netback. However, this was mitigated by the $6.14/boe in realized hedging gains. Costs savings were realized in G&A as the per boe rate dropped by 67% to $0.66 as compared to $1.98 in 2019. Higher interest rates on both bank borrowings and the term debt caused the cash finance expense to increase to $3.98/boe from $2.83 in the second quarter of 2019. For the six month periods, the funds flow netback decreased 79% from $9.31 per boe in 2019 to $1.94 in 2020. The leading cause of this was reduced sales volumes due to shut-in production as well as the severe decline in oil prices.

After taking into account the non-cash items, there was a net loss of $21.80 per boe for the second quarter of 2020 as compared to $14.92 in 2019. A significant portion of this loss was the unrealized loss on commodity hedges of $10.47/boe as well as $14.24/boe of depletion charges. For the six months year to date in 2020 Journey realized a net loss of $51.91 per boe compared to a net loss of $9.91 in 2019. The largest contributor to the loss in 2020 was the $39.07 of impairments taken in the first quarter of 2020.

($ per boe)	Three months ended June 30, 2020	2019	% Change	Six months ended June 30, 2020	2019	% Change
Realized price	**15.71**	32.56	(52)	**18.92**	33.25	(43)
Royalties	**(0.95)**	(3.82)	(75)	**(2.16)**	(3.86)	(44)
Operating	**(11.34)**	(14.45)	(22)	**(12.71)**	(14.27)	(11)
Transportation	**(0.40)**	(0.44)	(9)	**(0.47)**	(0.47)	-
Operating	**3.02**	13.85	(78)	**3.58**	14.65	(76)
G&A	**(0.66)**	(1.98)	(67)	**(2.53)**	(2.32)	9
Finance – cash portion	**(3.98)**	(2.83)	41	**(3.40)**	(2.83)	20
Realized hedging gain (loss)	**6.14**	(0.05)	(12,380)	**4.29**	(0.19)	(2,358)
Funds flow	**4.52**	8.99	(50)	**1.94**	9.31	(79)
Unrealized gain (loss) on hedges	**(10.47)**	0.42	(2,593)	**1.42**	(0.57)	(349)
Share based compensation	**(0.76)**	(0.93)	(18)	**(0.73)**	(0.95)	(23)
Depletion and depreciation	**(14.24)**	(10.49)	36	**(14.33)**	(10.28)	39
Impairments – oil & gas assets	**-**	-	-	**(39.07)**	-	-
Accretion	**(0.84)**	(1.41)	(40)	**(0.81)**	(1.43)	(43)
Exploration & evaluation	**(0.01)**	(0.08)	(88)	**(0.31)**	(0.27)	15
Transaction costs	**-**	(0.01)	(100)	**(0.02)**	(0.01)	100
Deferred tax expense	**-**	(11.41)	(100)	**-**	(5.71)	(100)
Net loss	**(21.80)**	(14.92)	46	**(51.91)**	(9.91)	424

NET LOSS, FUNDS FLOW AND CASH FROM OPERATING ACTIVITIES

There was a net loss for the three months ended June 30, 2020 of $15,489 as compared to the loss of $12,559 in 2019. During the second quarter of 2020, Journey realized a net loss per share of $0.36 (basic share and diluted). The net loss per share for the six months was $80,930 or $1.88 per basic and diluted share as compared to a loss of $16,646 or $0.42 per basic and diluted share in 2019.

Funds Flow during the second quarter of 2020 were $3,213, a decrease of 57% from $7,556 realized in 2019. For the six months ended June 30, Funds Flow decreased 81% from $15,573 in 2019 to $3,008 in 2020. The decrease was significantly attributable to the large decline in oil prices, but was also negatively impacted by the 1,500 boe/d of shut-in production volumes in the second quarter.

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 for the second quarter of 2020 was $2,627 versus $5,472 during the same quarter of 2019. For the six months year to date Cash Flow was $3,946 in 2020 as compared to $11,785 in 2019.

Per share data	Three months ended June 30, 2020	2019	% Change	Six months ended June 30, 2020	2019	% Change
Net loss	**(15,489)**	(12,559)	23	**(80,930)**	(16,646)	386
Basic ($/share)	**(0.36)**	(0.32)	12	**(1.88)**	(0.42)	347
Diluted ($/share)	**(0.36)**	(0.32)	12	**(1.88)**	(0.42)	347
Funds flow	**3,213**	7,556	(57)	**3,008**	15,673	(81)
Basic ($/share)	**0.07**	0.19	(63)	**0.07**	0.40	(83)
Diluted ($/share)	**0.07**	0.19	(63)	**0.07**	0.40	(83)
Cash flow provided by operating activities	**2,627**	5,472	(52)	**3,946**	11,785	(86)
Basic ($/share)	**0.06**	0.14	(57)	**0.09**	0.30	(70)
Diluted ($/share)	**0.06**	0.13	(54)	**0.09**	0.29	(69)

CAPITAL EXPENDITURES

Journey spent $1,040 on capital expenditures (before acquisitions/dispositions) during the second quarter of 2020 representing an 87% decrease from the same quarter in 2019. Total capital spent for the year to date in 2020 was $4,316. Virtually all of the capital spent in the quarter was directed to the power project. Given the low commodity prices and the limited capital availability, Journey has not committed to spend anything other than the funds required for the power project. It is currently anticipated that this project will be commissioned in September.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Cash expenditures:						
Land and lease rentals	**67**	71	(6)	**168**	314	(46)
Geological and geophysical	**4**	136	(97)	**4**	136	(97)
Drilling and completions	**-**	4,931	(100)	**-**	4,931	(100)
Well equipment and facilities	**969**	2,871	(66)	**4,160**	3,411	22
Capitalized general and administrative	**-**	137	(100)	**-**	255	(100)
Exploration and development	**1,040**	8,146	(87)	**4,332**	9,047	(52)
Other	**-**	2	(100)	**-**	6	(100)
Total capital expenditures	**1,040**	8,148	(100)	**4,332**	9,053	(52)
PP&E acquisitions	**-**	134	(100)	**-**	189	(100)
PP&E dispositions	**-**	(469)	(100)	**(16)**	(469)	(97)
Net capital expenditures	**1,040**	7,813	(87)	**4,316**	8,773	(51)
Other expenditures:						
Capitalized share based compensation	**-**	40	(100)	**-**	78	(100)
Decommissioning liability costs incurred	**(12)**	83	(114)	**374**	309	21
Total capital expenditures	**1,028**	7,936	(87)	**4,690**	9,160	(49)

	Three months ended June 30,				Six months ended June 30,			
	2020		2019		**2020**		2019	
Wells drilled	**Gross**	**Net**	Gross	Net	**Gross**	**Net**	Gross	Net
Development wells	-	-	3	3.0	-	-	3	3.0
Success rate (%)	-	-	100	100	-	-	100	100

DECOMMISSIONING LIABILITIES (“DL”)

At June 30, 2020, Journey recorded a DL of $194,365 ($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 period in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. The future liability has not been discounted as at June 30, 2020 as the risk-free discount rate approximates zero at that time. For comparison, the discount rate used at December 31, 2019 was 2.1% and at March 31, 2020 it was 0.4%. As a result of the decrease in interest rates from March 31, 2020 to June 30, 2020 the DL increased by $27,241 during the second quarter.

Journey recorded accretion charges of $476 and $1,020 for the three and six month periods in 2020 as compared to $887 and $1,799 respectively in 2019. Accretion reflects the increase in the DL from the discounted amount to the full amount of the DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the six months ended June 30, 2020 was $374 compared to $309 in 2019.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey's assets are funded entirely out of Funds Flow from operating activities. Journey's Liability Management Rating is well within the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required as at June 30, 2020 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES ("LO")

At June 30, 2020, Journey's discounted lease obligations were $5,299 (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 $76 and $157 for the three and six months ended June 30, 2020 have been recognized in the statements of comprehensive net loss to reflect the increase in the LO associated with the passage of time. For the six months ended June 30, accretion charges were $90 and $184 respectively. Expenditures for the LO for the three and six month periods ended June 30, 2020 were $413 and $830 respectively. For the three and six month periods in 2019, the expenditures were $398 and $793.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

As discussed further below, the maturity date of the bank credit facility is August 7, 2020 and if the maturity date is not extended by the lenders, they have the right to demand repayment on that date. Should the Company be unable to repay the bank debt on its maturity date or if called by the lenders, it would trigger a default under the second-lien term debt enabling the second-lien lenders to demand repayment of all outstanding amounts. The Company may be required to seek formal creditor protection in the very near term. As a result, there is material uncertainties surrounding the Company's ability to continue as a going concern that creates significant doubt as to the ability of the Company to meet is obligations as they come due. Therefore, the Company may be unable to realize it assets and discharge its liabilities in the normal course of business.

These condensed, consolidated, interim financial statements (the "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. 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 and due to the current forbearance period, which ends on August 7, 2020. At June 30, 2020, bank debt outstanding on the Company's lines of credit aggregated $74.3 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, which has been extended three times. The terms of the forbearance agreements include holding the bank line at $77 million until the termination of the current agreement on August 7, 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 immediately due. Should the Company be unable to repay the bank debt on its maturity date or if called by the lenders, it would trigger a default under the second-lien term debt enabling second-lien lenders to demand repayment of all outstanding amounts.

The Company is required to maintain a Liability Management Rating greater than 1.9 under the terms of its syndicated credit facilities and the terms of the second-lien term debt instrument. The Company was in compliance with this requirement at June 30th, 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 alter, reduce or demand repayment of the outstanding obligations. Due to the facts and circumstances detailed above, coupled with considerable economic instability and uncertainty in the oil and gas industry which negatively impacts operating cash flows and lender sentiment, there remains considerable risk around the Company's ability to address its liquidity shortfalls and upcoming maturities. As a result, there are material uncertainties surrounding the Company's ability to continue as a going concern.

The Company will continue to work with the various lenders to extend the forbearance agreement to enable the Company additional time to determine alternative financing or strategic options for the Company. Considerable actions have been taken to maintain the Company's liquidity including refinancing the term debt and extending certain maturity dates (Note 7); issuing common shares in 2019 for net proceeds of $7,236 (Note 10); reducing the capital program and continuing a commodity hedging program.

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. 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.

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 June 30, 2020, the Company funded its $3,662 in capital additions and asset retirement expenditures, primarily from bank debt.

As at June 30, 2020, bank debt outstanding was $74,297, 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 while the Company is in forbearance.

Net Debt of the Corporation at June 30, 2020 was $126,634. This amount was comprised of negative working capital of $80,321 (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 $46,313. 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 and six-month periods ended June 30, 2020.

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, is expected to have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

(a) Natural gas transportation

The Company has committed to firm-service contracts for the transportation of its natural gas. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts:

	Total	2020	2021 - 2022
Natural gas transportation	**447**	272	175

(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.

SUSEQUENT EVENTS

Subsequent to June 30, 2020, the Company entered into a new forbearance agreement extension with its syndicate of chartered banks. The new expiry for the forbearance was extended to August 31, 2020.

SHARE CAPITAL

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

Outstanding	**August 4, 2020**	**June 30, 2020**	December 31, 2019
Common shares outstanding	**43,087**	**43,087**	43,087
Options, warrants, restricted share and performance share awards	**5,029**	**5,039**	5,087
Fully diluted shares	**48,116**	**48,126**	48,174

	Three months ended June 30,			Six months ended June 30,		
Weighted average	**2020**	2019	% Change	**2020**	2019	% Change
Basic	**43,087**	39,247	10	**43,087**	39,236	10
Diluted	**43,087**	39,247	10	**43,087**	39,236	10

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019
Production (boe/d)	7,808	9,325	9,463	9,445
Average prices realized, pre-hedging ($/boe)	15.71	21.61	31.17	30.10
Petroleum and natural gas sales	11,166	18,336	27,134	26,158
Net loss	(15,489)	(65,441)	(7,654)	(7,055)
Basic – per share ($/share)	(0.36)	(1.52)	(0.18)	(0.18)
Diluted – per share ($/share)	(0.36)	(1.52)	(0.18)	(0.18)
Funds Flow	3,213	(205)	5,905	6,020
Basic – per share ($/share)	0.07	(0.01)	0.14	0.15
Diluted – per share ($/share)	0.07	(0.01)	0.13	0.14
Cash flow provided by operating activities	2,627	1,319	11,684	4,279
Total assets	289,482	276,794	344,989	416,667
Net capital expenditures	1,040	3,276	9,331	2,427
Long term financial liabilities	242,152	211,712	212,024	283,856
Net debt	126,634	128,435	124,213	118,238

	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018
Production (boe/d)	9,248	9,330	9,921	10,227
Average prices realized, pre-hedging ($/boe)	32.56	33.94	22.34	36.17
Petroleum and natural gas sales	27,400	28,498	20,390	34,032
Net earnings (loss)	(12,559)	(4,087)	(16,180)	202
Basic – per share ($/share)	(0.32)	(0.10)	(0.41)	0.01
Diluted – per share ($/share)	(0.32)	(0.10)	(0.41)	0.01
Funds Flow	7,556	7,722	(42)	7,890
Basic – per share ($/share	0.18	0.20	-	0.20
Diluted – per share ($/share)	0.18	0.19	-	0.20
Cash flow from operations	5,472	6,313	(4,638)	10,631
Total assets	406,974	410,018	380,724	405,989
Net capital expenditures	7,813	960	1,125	9,647
Long term financial liabilities	366,156	331,280	304,062	214,354
Net debt	128,451	127,769	134,635	118,238

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 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.
- 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 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.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended June 30, 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 June 30, 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 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 June 30, 2020:

	< 1 year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	16,864	-	-	16,864
Derivative contracts	405	-	-	405
Bank Debt – principal	74,297	-	-	74,297
Term debt - principal	-	-	46,313	46,313
Interest on bank debt	2,953	-	-	2,953
Interest on term debt	4,436	4,443	4,035	12,914
Total	98,955	4,443	50,348	153,746

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 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.

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 current agreement on August 7, 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 on August 7, 2020.

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, 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 1.9 and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's Chief Executive Officer and Chief Financial Officer are responsible for establishing and managing internal control over financial; reporting ("ICFR"). They have as at the interim period ending June 30, 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 Corporations ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

There were no changes in the Corporation's ICFR that occurred during the period beginning on April 1, 2020 and ended on June 30, 2020 that have materially affected or are reasonably likely to materially affect, the Corporation's ICFR.

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 second quarter of 2020

The June 30, 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.