JOURNEY
ENERGY INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – THIRD QUARTER, 2021

The following Management's Discussion and Analysis ("MD&A") was prepared on November 9, 2021 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three and nine months ended September 30, 2021 and 2020. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2021 and 2020 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) Adjusted Funds Flow from operations, (ix) operating and Adjusted Funds Flow netbacks, (x) operating expenses, (xi) general and administrative expenses, and (xii) realization of anticipated benefits of acquisitions.

The forward-looking statements are based on certain key expectations and assumptions made by Journey, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, Adjusted Funds Flow and capital expenditures, the application of regulatory and royalty regimes, prevailing commodity prices and economic conditions, development and completion activities, the performance of new wells, the successful implementation of waterflood programs, the availability of and performance of facilities and pipelines, the geological characteristics of Journey's properties, the successful application of drilling, completion and seismic technology, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labor and services, and the creditworthiness of industry partners.

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the COVID-19 pandemic and the impact on the worldwide economy, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in this MD&A under the heading 'Risk Factors'.

## Non-GAAP Measures

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

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

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

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | % Change | **2021** | 2020 | % Change |
| Cash flow provided by operating activities | **11,271** | 4,685 | 141 | **24,923** | 8,725 | 186 |
| Add (deduct): | | | | | | |
| Changes in non-cash working capital | **(481)** | (360) | 34 | **6,447** | 639 | 909 |
| Capitalized interest | **(87)** | - | - | **(2,870)** | (2,313) | 24 |
| Other financing costs | **-** | 65 | (100) | **-** | (29) | 100 |
| Non-recurring other income[1] | **-** | - | - | **(902)** | - | - |
| Transaction costs | **341** | - | - | **359** | 2 | 17,850 |
| Decommissioning costs expended | **926** | 37 | 2,403 | **1,755** | 411 | 327 |
| Adjusted Funds Flow | **11,970** | 4,427 | 170 | **29,712** | 7,435 | 300 |

1. Non-recurring other income is comprised of a forfeited deposit.

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

"**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 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:

| | **Sep. 30 2021** | Sep. 30 2020 | % Change | **Sep. 30 2021** | Dec 31, 2020 | % Change |
|---|---|---|---|---|---|---|
| Principal amount of term debt | **71,784** | 46,313 | 55 | **71,784** | 89,664 | (20) |
| Accounts payable and accrued liabilities | **16,765** | 17,012 | (1) | **16,765** | 16,198 | 4 |
| Contingent bank debt – fair value[1] | **4,267** | - | - | **4,267** | 1,943 | 120 |
| Other loans | **156** | - | - | **156** | - | - |
| Principal amount of bank indebtedness | **-** | 71,994 | (100) | **-** | - | - |
| Deduct: | | | | | | |
| Cash in bank | **(7,897)** | - | - | **(7,897)** | (6,590) | 20 |
| Accounts receivable | **(14,178)** | (8,291) | 71 | **(14,178)** | (9,285) | 53 |
| Prepaid expenses | **(3,040)** | (2,384) | 28 | **(3,040)** | (1,575) | 93 |
| Net debt | **67,857** | 124,644 | (46) | **67,857** | 90,355 | (25) |

1. The contingent bank debt amounts is the current estimated liability using strip oil prices, and discounted using the interest rate in effect when the liability arose. The contingent bank debt has a maximum payment of $5,750.

## Abbreviations and BOE Advisory

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

| | |
|---|---|
| *AIMCo* | *Alberta Investment Management Corporation* |
| *bbl* | *barrel* |
| *bbls* | *barrels* |
| *boe* | *barrels of oil equivalent (see conversion statement below)* |

| | |
|---|---|
| *boe/d* | *barrels of oil equivalent per day* |
| *gj* | *gigajoules* |
| *GAAP* | *Generally Accepted Accounting Principles* |
| *IFRS* | *International Financial Reporting Standards* |
| *Mbbls* | *thousand barrels* |
| *MMBtu* | *million British thermal units* |
| *Mboe* | *thousand boe* |
| *Mcf* | *thousand cubic feet* |
| *Mmcf* | *million cubic feet* |
| *Mmcf/d* | *million cubic feet per day* |
| *MSW* | *Mixed sweet Alberta benchmark oil price* |
| *NGL's* | *natural gas liquids (ethane, propane, butane and condensate)* |
| *WCS* | *Western Canada Select benchmark oil price* |
| *WTI* | *West Texas Intermediate benchmark Oil price* |

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

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

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

### Amounts

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

## HIGHLIGHTS FROM THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

### Financial

Journey recorded Adjusted Funds Flow of $11,970 in the third quarter of 2021 as compared to $4,427 in the third quarter of 2020. The combination of an 80% increase in average realized commodity prices; the corporate acquisition of approximately 600 boe/d on August 18, 2021; cost reduction strategies implemented in 2020 and their impact carrying forward into 2021; and the recent revenue stream from electricity generation all positively impacted Adjusted Funds Flow. Cash flow from operating activities was

$11,271 in the third quarter of 2021 as compared to $4,685 in the third quarter of 2020. The Company exited the quarter with net debt of $67,857, which was 47% below September 30, 2020 and 25% below what was reported at the beginning of 2021. For the year to date to September 30, 2021, Journey has repaid $20.75 million of term-debt. On October 28, 2021, Journey repaid the remaining $4.25 million of its $25.0 million total AIMCo term debt maturities in 2021.

**Capital spending**

During the third quarter, Journey did not drill any wells as the Company continued to make debt repayment a priority. As a result, minimal maintenance capital of $638 and $3,347 of decommissioning costs were expended in the third quarter. In addition, Journey purchased private oil and gas company for total consideration of $7.1 million on August 18. This acquisition added approximately 600 boe/d (70% natural gas) and $0.9 million of working capital surplus.

**Production**

Production decreased 2% in the third quarter of 2021 to average 8,164 boe/d versus 8,311 boe/d in the third quarter of 2020. Quarter over quarter production increased 6% in the third quarter of 2021 as compared to the 7,709 boe/d realized in the second quarter of 2021. The increase in production from the second quarter of this year was mainly the result of reactivations of previously uneconomic wells, workovers of producing wells and the corporate acquisition of approximately 600 boe/d in August. To a lesser extent, the natural gas production Journey used to generate electricity affected reported third quarter sales volumes by approximately 131 boe/d.

**Liquidity**

Increased prices for natural gas, crude oil, NGL's and electricity in 2021 have provided much needed working capital that serve the dual purpose of allowing Journey to reduce debt and also provided the funds which allowed Journey to complete its August acquisition. Journey has significantly improved its liquidity, and has reduced its outstanding term debt in 2021 by $25.0 million to this date. Journey has no more term debt maturities until September 30, 2022.

**Outlook**

The theme for 2021 was and will continue to be strengthening the balance sheet and preparing for a solid capital program in 2022. By the end of 2021, Journey is forecasting approximately $52-$54 million of net debt, which is 30% below what it was at the beginning of 2021. The rebound in commodity prices, coupled with favorable price differentials, and a lower operating cost structure are combining to make Journey very sustainable well into the future. Journey's updated 2021 guidance is presented in the table below:

| | |
|---|---|
| Annual average daily sales volumes | 7,700 – 8,100 boe/d (45% crude oil and NGL) |
| E&D capital spending (including ARO) | $7 - $8 million |
| Acquisitions (net of dispositions) | $7.1 million |
| Adjusted Funds Flow | $45 - $47 million |
| Year-end net debt | $53 - $54 million |
| Adjusted Funds flow per basic weighted average share | $0.99 - $1.05 |
| Corporate annual decline rate | 14% |

Journey's 2021 forecasted funds flow is based upon the following revised assumed annual, average prices: WTI of $68/bbl USD; Company differentials of $4.00/bbl USD for oil from Edmonton light sweet prices; realized natural gas price of CDN$3.65/mcf CDN; and a foreign exchange rate of $0.80 US$/CDN$.

Journey’s preliminary 2022 guidance is presented in the table below:

| | |
|---|---|
| Annual average daily sales volumes | 8,200 – 9,000 boe/d (46% crude oil and NGL) |
| Adjusted Funds Flow | $55 - $60 million |
| Adjusted Funds Flow per basic weighted average share | $1.14 - $1.25 |
| Capital spending (excluding A&D) | $36 million |
| Year-end net debt | $28 - $34 million |
| Corporate annual decline rate | 15% |

Journey's 2022 forecasted funds flow is based upon the following revised assumed annual, average prices: WTI of $75/bbl USD; Company differentials of $5/bbl USD for oil from Edmonton mixed sweet prices; Company realized natural gas price of CDN$3.75/mcf CDN; and a foreign exchange rate of $0.82 US$/CDN$. These forecast prices approximate current 2022 strip prices, and will be updated as they change.

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

## DETAILED FINANCIAL REVIEW

## PRODUCTION REVENUE AND VOLUMES

### Daily Sales Volumes

Total daily sales volumes decreased 2% to 8,164 boe/d for the third quarter of 2021 from 8,311 boe/d in 2020. The decrease was attributable to the combination of natural declines and the utilization of natural gas as the supply for Journey’s electricity project. The decreases were partially mitigated by the acquisition on August 18 wherein the production from this acquisition contributed only a portion of a full quarters’ sales volumes. For the nine-month periods, daily sales volumes decreased 8% to 7,819 boe/d for 2021 from 8,481 boe/d in 2020. Natural gas used in power generation was approximately 783 mcf/d and 725 mcf/d for the three and nine-month periods ended September 30 respectively.

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Natural gas (Mcf/d) | | | | | | |
| Conventional | **21,073** | 21,037 | - | **19,997** | 21,596 | (7) |
| Coal bed methane | **4,825** | 5,890 | (18) | **4,973** | 6,046 | (18) |
| Total natural gas volumes | **25,898** | 26,927 | (4) | **24,970** | 27,642 | (10) |
| Crude oil (Bbl/d) | | | | | | |
| Light/medium | **2,499** | 2,392 | 4 | **2,323** | 2,502 | (7) |
| Heavy | **675** | 796 | (15) | **693** | 706 | (2) |
| Total crude oil volumes | **3,174** | 3,188 | - | **3,016** | 3,208 | (6) |
| Natural gas liquids (Bbl/d) | **674** | 635 | 6 | **641** | 666 | (4) |
| Barrels of oil equivalent (boe/d) | **8,164** | 8,311 | (2) | **7,819** | 8,481 | (8) |

### Volumetric Product Mix

| % of Aggregate Production | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Natural gas | **53** | 54 | (2) | **53** | 54 | (2) |
| Crude oil | **39** | 38 | 3 | **39** | 38 | 3 |
| Natural gas liquids | **8** | 8 | - | **8** | 8 | - |
| Total | **100** | 100 | | **100** | 100 | |

### Average Benchmark Price Indices

| | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| **Crude Oil** | | | | | | |
| WTI (US$/Bbl) | **70.56** | 40.93 | 72 | **64.82** | 38.32 | 69 |
| Canadian MSW (CDN$/Bbl) | **84.18** | 49.05 | 72 | **76.37** | 44.13 | 73 |
| WCS (CDN$/Bbl) | **71.77** | 42.41 | 69 | **65.40** | 32.98 | 98 |
| **Natural Gas** | | | | | | |
| NYMEX (US $/Mmbtu) | **4.36** | 2.00 | 118 | **3.62** | 1.87 | 94 |
| AECO - Daily (CDN$/Mcf) | **3.59** | 2.27 | 58 | **3.27** | 2.10 | 56 |
| **Foreign Exchange** | | | | | | |
| Canadian to US | **1.2601** | 1.3316 | (5) | **1.2516** | 1.3539 | (8) |
| US to Canadian | **0.7936** | 0.751 | 6 | **0.7992** | 0.7391 | 8 |

WTI oil prices increased 72% in the third quarter of 2021 to average $70.56 US/bbl as compared to $40.93 US/bbl in the third quarter of 2020. This increase was largely a recovery to pre-pandemic levels as global demand for oil returned. Partially offsetting the increase in oil prices was an increase in the Canadian dollar, which rose 6% from the third quarter of 2020. Changes to the Canadian dollar vis a vis the US dollar are based on many factors including the strength of the Canadian economy, Canadian and US interest rates, the political environment and exports. In addition, the WTI/MSW oil price differential improved by 8% as it averaged USD $3.76/bbl during the third quarter as compared to USD $4.10/bbl in the third quarter of 2020. The WTI/MSW differential and foreign exchange rates resulted in the average Canadian light oil price increasing from $49.05/bbl in the third quarter of 2020 to $84.18/bbl in the third quarter of 2021. A similar result was realized in WCS prices wherein the third quarter 2020 average price was $42.41/bbl and for the third quarter of 2021, it was $71.77/bbl. Given that approximately one-third of Journey's crude oil production realize prices similar to WCS, the third quarter pricing for WCS was very constructive for crude oil revenues.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. 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 58% higher at $3.59/mcf in the third quarter of 2021 as compared to $2.27/mcf during the same period in 2020. The cold 2020/21 winter and the warm 2021 summer has increased the demand for natural gas, and this has reduced the five year storage levels accordingly, making for a very constructive setup for strong prices in the upcoming winter.

### Realized Prices

Commodity prices realized by Journey were as follows:

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

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Natural gas ($/Mcf) | **3.56** | 2.08 | 71 | **3.20** | 1.73 | 85 |
| Crude oil ($/Bbl) | **74.02** | 42.36 | 75 | **66.83** | 36.54 | 83 |
| Natural gas liquids ($/Bbl) | **48.09** | 20.22 | 138 | **41.80** | 16.49 | 153 |
| Average ($/boe) | **44.05** | 24.53 | 80 | **39.44** | 20.77 | 90 |

The 71% increase in realized natural gas prices and 75% higher crude oil prices led the 80% increase in average corporate prices during the third quarter of 2021. The combination of a cold winter in North America and return of oil demand were the drivers behind the increased realized prices.

b) Realized prices including 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 September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Natural gas ($/Mcf) | **3.56** | 2.03 | 75 | **3.20** | 1.71 | 87 |
| Crude oil ($/Bbl) | **74.02** | 45.57 | 62 | **66.83** | 45.26 | 48 |
| Natural gas liquids ($/Bbl) | **48.09** | 20.22 | 138 | **41.80** | 16.49 | 153 |
| Average ($/boe) | **44.05** | 25.60 | 72 | **39.44** | 23.99 | 64 |

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

In the third quarter of 2021, aggregate P&NG sales increased 76% to $33,083 as compared to $18,759 for the same period in 2020. The increase in sales revenue in the third quarter of 2021 was mainly the result of the 80% increase in average commodity prices over the same period of 2020. The onset of the pandemic and the subsequent Saudi-Russia oil price war caused the inordinately low commodity prices in 2020 while in 2021 prices returned to and then exceeded pre-pandemic levels as commodity demand ramped up. Crude oil revenue made up 65% of corporate commodity price revenues in the third quarter of 2021 while contributing 39% to total boe production.

For the nine months ended September 30, aggregate P&NG sales increased 74% to $84,179 in 2021 from $48,261 in 2020. For the nine months ended September 30, 2021, the increase in P&NG sales was primarily the result of increases in all commodities. The average realized price increase was made up of increases of 85% for natural gas, 83% for oil, and 153% for NGL's compared to the same nine-month period in 2020. Similar to the quarters' results, crude oil revenue made up 65% of corporate commodity price revenues for the year to date in 2021 while contributing 39% to total boe production.

| $ | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Natural gas | **8,489** | 5,153 | 65 | **21,841** | 13,137 | 66 |
| Crude oil | **21,613** | 12,425 | 74 | **55,018** | 32,113 | 71 |
| Natural gas liquids | **2,981** | 1,181 | 152 | **7,320** | 3,011 | 143 |
| P&NG sales | **33,083** | 18,759 | 76 | **84,179** | 48,261 | 74 |

| **Sales - % Contribution** | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Natural gas | **26** | 28 | (7) | **26** | 27 | (4) |
| Crude oil | **65** | 66 | (2) | **65** | 67 | (3) |
| Natural gas liquids | **9** | 6 | 50 | **9** | 6 | 50 |
| Total | **100** | 100 | | **100** | 100 | |

## RISK MANAGEMENT ACTIVITIES

Journey periodically enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby protect Adjusted Funds Flows, which are used to fund our capital program. These risks can be mitigated by entering into derivative contracts for oil, natural gas and foreign exchange. The risk associated with using these derivative contracts include: commodity prices moving materially in favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. At September 30, 2021, the Company had no derivative contracts in place.

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

| **$ 000's** | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Realized | - | 813 | (100) | - | 7,495 | (100) |
| Unrealized | - | (1,364) | (100) | - | 852 | (100) |
| Total | - | (551) | (100) | - | 8,347 | (100) |

| **$/boe** | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Realized | - | 1.06 | (100) | - | 3.23 | (100) |
| Unrealized | - | (1.78) | (100) | - | 0.37 | (100) |
| Total | - | (0.72) | (100) | - | 3.60 | (100) |

## ROYALTIES

For the third quarter of 2021, total royalties were $5,446 as compared to $1,544 for the same period in 2020. On a per boe basis, the royalty rate increased to $7.25 in 2021 as compared to $2.02 in 2020. As a percentage of revenue, the rate for the third quarter of 2021 increased 101% to 16.5% from 8.2%, which was realized in 2020. The increase in aggregate royalty expense, as well as the increase in the royalty rate, as a percentage of revenues was attributable to the significant increase in realized commodity prices for all products.

For the nine months ended September 30, royalties were $11,756 in 2021 as compared to $4,913 for the same period in 2020. On a per boe basis, the royalty rate increased 161% to $5.51 in 2021 as compared to $2.11 from 2020. As a percentage of revenue, the rate for the nine months of 2021 was 14.0% or 37% higher than the 10.2% realized in 2020.

Benchmark MSW oil prices increased 72% in the third quarter and 73% for the nine months ended September 30 2021 as compared to 2020. Similarly, benchmark AECO natural gas prices increased by 58% for the three-month periods and 56% for the nine-month periods of 2021 compared to 2020. These were the main reasons for the increase in both aggregate royalties and the royalty rate a percentage of revenues. Journey is anticipating a corporate royalty rate of approximately 16% for the balance of 2021 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 September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| **$** | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Crown | **3,371** | 374 | 801 | **6,637** | 1,886 | 252 |
| Freehold/gross over-riding | **2,075** | 1,170 | 77 | **5,119** | 3,027 | 69 |
| Total royalties | **5,446** | 1,544 | 253 | **11,756** | 4,913 | 139 |
| Royalties (as a % of P&NG sales) | **16.5** | 8.2 | 101 | **14.0** | 10.2 | 37 |

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| **$ / boe** | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Crown | **4.49** | 0.49 | 816 | **3.11** | 0.81 | 284 |
| Freehold/gross over-riding | **2.76** | 1.53 | 80 | **2.40** | 1.30 | 85 |
| Total royalties | **7.25** | 2.02 | 259 | **5.51** | 2.11 | 161 |

## PROCESSING AND OTHER INCOME

Processing and other income is comprised of three major components. First, custom natural gas processing fees; oil treating; natural gas gathering and compression fees are what Journey considers to be operating cost recoveries and are directly tied to, or are ancillary to the Company's own operations. Because of this, for presentation in these MD&A Journey nets this income with field operating costs (see Operating Expense section below). Second is Journey's recent venture into electricity generation. Journey's 4.0 MW/hour facility in Countess has been producing electricity since late 2020. Third, is other non-recurring income. Included in this category is a $902 payment with respect to a forfeited deposit by the prospective purchaser of the Countess area assets. In addition, there was $2,421 of income related to a grant from the Alberta Government Site Rehabilitation Program. The breakdown of processing and other income by category is as follows:

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Processing and other cost recoveries | **884** | 444 | 99 | **2,266** | 1,901 | 19 |
| Electricity income before expenses | **798** | - | - | **2,541** | - | - |
| Non-recurring other income | **2,421** | - | - | **3,323** | - | - |
| Total processing and other income | **4,103** | 444 | 824 | **8,130** | 1,901 | 328 |
| Electricity related operating expenses | **(356)** | - | - | **(1,054)** | - | - |
| Adjusted processing and other income | **3,747** | 444 | 744 | **7,076** | 1,901 | 272 |

## OPERATING EXPENSES

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Operating expense per the financial statements | **14,065** | 9,937 | 42 | **38,075** | 31,211 | 22 |
| Less: | | | | | | |
| Expense recoveries | **(884)** | (444) | 99 | **(2,266)** | (1,901) | 19 |
| Power generation expenses | **(356)** | - | - | **(1,054)** | - | - |
| Net operating expenses | **12,825** | 9,493 | 35 | **34,755** | 29,310 | 19 |
| Net expense ($ per BOE) | **17.08** | 12.42 | 38 | **16.28** | 12.61 | 29 |
| Net expense (% of P&NG sales) | **38.8** | 50.6 | (23) | **41.3** | 60.7 | (32) |

Net operating expenses were $12,825 or $17.08 per boe for the third quarter of 2021 as compared to $9,493, or $12.42 per boe in 2020. For the nine months ended September 30, net operating costs were $34,755 or $16.28 per boe in 2021 as compared to $29,310 or $12.61 per boe in 2020. Higher aggregate costs in the third quarter were caused by: integrating the corporate acquisition in August; higher power costs from the hot summer weather; workovers; well reactivations; and unplanned third party turnarounds. Workover and turnaround projects originally planned for 2020 were limited to necessary ones in light of the highly unusual circumstances surrounding the pandemic and the resulting severe decline prices and cash flows. Many of these projects were completed in the second and third quarter of 2021. Journey participated in seventeen workovers and eleven turnarounds during the third quarter. $1,393 of workover and turnaround costs were incurred in the third quarter of 2021 as compared to $616 in the same quarter of 2020. For the remainder of 2021, Journey expects the net operating expense per boe rate to average in the mid-$16 range.

## TRANSPORTATION

Transportation expenses were $396 for the third quarter of 2021, and represented 1.2% of P&NG sales for the period as compared to $288 and 1.5% for the same quarter of 2020. The cost per boe averaged $0.53 in the third quarter, which was 39% higher than the same period in 2020. For the nine months ended September 30, transportation expenses were $1,097 for 2021 or 7% higher than $1,026 for the comparable period in 2020. On a per boe basis, costs were $0.51 for 2021 and $0.44 for 2020. Journey is currently expecting the per boe rates for the rest of 2021 to be in the $0.50/boe range. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer 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 September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Transportation expense | **396** | 288 | 38 | **1,097** | 1,026 | 7 |
| Expense ($ per boe) | **0.53** | 0.38 | 39 | **0.51** | 0.44 | 16 |
| Expense (% of P&NG sales) | **1.2** | 1.5 | (20) | **1.3** | 2.1 | (38) |

## GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSE

For the third quarter of 2021, G&A expense after adjusting for recoveries and non-recurring items was lower by 12% at $1,606 as compared to $1,827 in 2020. The decrease in G&A costs during the third quarter of 2021 was mainly attributable to the cost savings in salaries for laid-off employees and the savings realized from the renegotiation of the rent at Journey's head office. On a gross per boe basis, Journey realized G&A of $2.19 for the third quarter of 2021, or 8% lower than the $2.39 realized in 2020.

For the nine months ended September 30, 2020 G&A expense after recoveries and non-recurring items was 37% lower at $4,501 as compared to $7,153 in 2020. Gross G&A per boe was $2.08 in 2021 or 32% lower than $3.08 in 2020.

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Expense per financial statements | **958** | 1,179 | (19) | **2,463** | 5,129 | (52) |
| Add: | | | | | | |
| Overhead recoveries | **709** | 648 | 9 | **1,993** | 2,024 | (2) |
| Non-recurring expense/subsidies | **(61)** | - | - | **45** | - | - |
| Gross expense | **1,606** | 1,827 | (12) | **4,501** | 7,153 | (37) |
| Expense ($ per boe) | | | | | | |
| Expense per financial statements | **1.28** | 1.54 | (17) | **1.15** | 2.21 | (48) |
| Gross expense | **2.19** | 2.39 | (8) | **2.08** | 3.08 | (32) |

## 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 miscellaneous bank charges. Finance expenses increased 22% from the third quarter of 2020 to the third quarter of 2021 mainly due to the higher amortization costs on the deferred finance charges. These deferred finance charges relate primarily to the costs incurred in the debt restructuring, which concluded on October 30, 2020. Borrowing costs for the third quarter of 2021 decreased 27% to $1,934 in 2021 from $2,641 in 2020. For the third quarter of 2021, the average interest-bearing debt outstanding was $79,045, which was a 34% decrease from $120,224 for the comparable period in 2020. The average effective interest rate on outstanding borrowings increased 11% to 9.7% in 2021 from 8.7% in 2020 as higher costing term debt replaced the syndicated bank debt as of October 30, 2020. On a per BOE basis, the non-accretion finance expense was $2.57 for the third quarter of 2021 as compared to $3.45 for the same quarter in 2020, representing a 26% decrease, period over period. The lower aggregate borrowing costs were primarily the result of lower borrowings outstanding. This was directly the result of settlement of the bank debt outstanding at October 30, 2020 being settled at an amount lower than its principal amount. The lower costing bank debt was replaced by new, higher interest rate term debt borrowings. While the term debt carries a higher interest rate than the previous bank debt, the overall interest-bearing debt decreased due to the settlement of the bank debt for less than its face value as well as Journey repaying $20.75 million of term debt in 2021 to the end of September. This more than offset the impact of the higher interest rate on the new term debt. The finance expense per boe rate increased for the three and nine month periods in 2021 mainly due to the higher interest rates on the new term debt, but also because of the amortization of financing fees related to the debt restructuring in October of 2020.

| | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Expense per financial statements | **4,040** | 3,322 | 22 | **14,426** | 9,887 | 46 |
| Add (Deduct): | | | | | | |
| Accretion expense | **(1,301)** | (681) | 91 | **(3,875)** | (1,944) | 99 |
| Other amortization costs | **(809)** | - | - | **(4,668)** | - | - |
| Bank fees and other charges | **4** | - | - | **11** | 5 | 120 |
| Expense related to borrowings | **1,934** | 2,641 | (27) | **5,894** | 7,948 | (26) |
| | | | | | | |
| Average interest-bearing debt | **79,045** | 120,224 | (34) | **83,120** | 118,081 | (30) |
| Effective interest rate | **9.7** | 8.7 | 11 | **9.5** | 9.0 | 6 |
| | | | | | | |
| Finance expense ($ per boe) | | | | | | |
| Related to borrowings & fees | **2.57** | 3.45 | (26) | **2.76** | 3.42 | (19) |
| Accretion & other amortization | **2.81** | 0.89 | 216 | **4.00** | 0.84 | 376 |
| Total finance expense | **5.38** | 4.34 | 24 | **6.76** | 4.26 | 59 |

## SHARE BASED COMPENSATION

Share based compensation expense was $228 for the third quarter of 2021 as compared to $570 in 2020. The lower stock based compensation in all of 2021 was attributable to no long-term incentives being granted to employees throughout 2020 or in the first two quarters of 2021. 1,730 thousand long-term incentives were granted in the third quarter. The fair value of all share-based compensation was estimated based on the date of issuance using the market price on the date of issuance and the cost is amortized over the vesting period. For performance share units an estimated future multiplier of one is assumed.

| | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Expense per financial statements | **228** | 570 | (60) | **567** | 1,713 | (67) |
| Expense ($ per boe) | **0.30** | 0.75 | (60) | **0.27** | 0.74 | (64) |

## DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D decreased from $9,549 in the third quarter of 2020 to $4,108 in 2021. While aggregate production volumes decreased by 2% in the third quarter of 2021, the 57% decrease in the aggregate D&D expense was primarily attributable to the decrease in the depletable base, which resulted from a significant revision to estimated future decommissioning costs as well as a higher discount rate used for the capitalized ARO asset. On a per boe basis, D&D was $5.47 for 2021 as compared to $12.49 in 2020, representing a 56% decrease.

For the nine months ending September 30, aggregate D&D decreased by 55% from $31,886 in 2020 to $14,343 in 2021. On a per boe basis, D&D was $6.72 in 2021, which was a 51% decrease from $13.72 in 2020.

| | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Depletion and depreciation ($) | **4,108** | 9,549 | (57) | **14,343** | 31,886 | (55) |
| Expense ($ per boe) | **5.47** | 12.49 | (56) | **6.72** | 13.72 | (51) |

## PROPERTY, PLANT AND EQUIPMENT IMPAIRMENT (RECOVERY)

At September 30, 2021, the Company assessed whether there were indicators of impairment or Impairment reversals. The assessment factored in reserves, change in commodity prices since December 31, 2020, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined that there were indicators for impairment reversals for the Matziwin, Skiff, Herronton, Gilby and Cherhill CGU's and as a result, the CGU's were tested for impairment reversal. It was ultimately determined that the recoverable amount for all tested CGU's had significantly exceeded their carrying amount and therefore an impairment reversal of $84,957 should be realized. The recoverable amount was calculated as the fair value of the assets less cost of disposal in an assumed asset sale. The fair value less costs to dispose was determined using a discounted cash flow approach based on the September 30, 2021 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.

In 2020, there was an impairment of $60,923 realized at March 31. Due to the severe downturn in commodity prices attributable to the onset of the COVID pandemic, it was determined that impairment indicators were present for all CGU's and as a result, the CGU's were tested for impairment. It was determined that the carrying amount of the Crystal and Countess CGU's had not exceeded their recoverable amount and therefore had no impairment. Cherhill, Herronton, Gilby, Pembina, Pine Creek, Skiff and Matziwin CGU's were found to be impaired as the carrying amount exceeded the recoverable amount. The recoverable amount was calculated using the estimated fair value of the assets less costs of disposal in an assumed asset sale. Fair value less costs of disposal was determined using a discounted cash flow approach based on the March 31, 2020 internal reserve evaluation of proved plus probable reserves and using an average of three major independent reserve engineer's forecast commodity prices. Journey used an after-tax risk adjusted discount rate that was based on the nature of the assets held in the CGU to determine the fair value at the measurement date.

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| PP&E impairment (recovery) | **(84,957)** | - | - | **(84,957)** | 60,923 | (239) |
| Expense (recovery) - $ per boe | **(113.11)** | - | - | **(39.80)** | 26.22 | (252) |

## 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 September 30, 2021 Journey incurred an expense of $318, as compared to $300 expensed in 2020. For the nine months ended September 30, 2021, the expense was $591 as compared to $786 in 2020.

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| E&E expense | **318** | 300 | 6 | **591** | 786 | (25) |
| $ per boe | **0.42** | 0.39 | 8 | **0.28** | 0.34 | (18) |

## DEFERRED INCOME TAXES

No deferred tax asset was recorded e in 2021 as Management made the determination that it was not probable that a significant portion of Journey's tax pools could be utilized given the projected future commodity prices. However, Journey will monitor commodity prices and reserve values and evaluate this again at year-end. Journey has available $666,923 in deductible income tax pools for future utilization should the Company generate sufficient taxable income. Given Journey's significant tax pools, projected cash flows and its capital spending profile the Company does not expect to be cash taxable into the foreseeable future. The income tax pool balances, by category, at September 30, 2021, before any de-recognition of income tax assets, were as follows:

| **Tax Pool** | **Deductible rate** | **Amount** |
|---|---|---:|
| Canadian oil & gas property expenses | 10% declining balance | 107,085 |
| Canadian development expenses | 30% declining balance | 77,601 |
| Canadian exploration expenses | 100% | 47,539 |
| Undepreciated capital costs | 7-100% declining balance | 58,069 |
| Financing costs | 5 year straight line | 3,357 |
| Non-capital losses | 100% | 373,272 |
| Total | | 666,923 |

## NETBACKS

The operating netback of $19.19 per boe for the third quarter of 2021 increased by 98% from $9.71 for the same period in 2020. For the nine months ended September 30, the operating netback was $17.14 per boe for 2021, which was a 206% increase from $5.61 for 2020. The increase in the operating netback for the third quarter was mainly due to the 80% increase in average commodity prices. Commensurate with the increase in sales prices, there was a 259% increase in royalty expense on a per boe basis in the third quarter and 161% increase for the year to date. Operating expenses increased by 38% to $17.08/boe in the third quarter and 29% to $16.28/boe for the year to date results in 2021.

The Adjusted Funds Flow netback per boe for the third quarter of 2021 was $19.15 per boe, which was 231% higher than the $5.78 in the same quarter of 2020. The most significant contributor to the higher netback was the aforementioned increase in commodity prices. However, this was partially offset by the increases in royalties and operating expenses. Costs savings were realized in G&A as the per boe rate dropped by 17% to $1.28 as compared to $1.54 in 2020. Higher interest rates on term debt were mitigated by repayments of debt in 2021 and therefore the interest expense decreased to $2.57/boe in the third quarter of 2021 from $3.45 in the third quarter of 2020. For the nine-month periods, the Adjusted Funds Flow netback increased 382% from $3.21 per boe in 2020 to $15.48 in 2021.

After taking into account the non-cash items, there was net income of $122.81 per boe for the third quarter of 2021 as compared to a loss of $10.52 in 2020. The biggest contributor to net income in the third quarter was the $84,957 of impairment reversal, as the positive movement in commodity prices was deemed significant enough to reverse a portion of prior period impairments. For the nine months year to date in 2021 Journey realized net income of $43.84 per boe compared to a net loss of $38.28 in 2020. The largest contributor to the loss in 2020 was the $26.22 of impairments taken during the first quarter of 2020.

| ($ per boe) | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| **Average realized price** | **44.05** | 24.53 | 80 | **39.44** | 20.77 | 90 |
| Royalties | **(7.25)** | (2.02) | 259 | **(5.51)** | (2.11) | 161 |
| Operating expenses | **(17.08)** | (12.42) | 38 | **(16.28)** | (12.61) | 29 |
| Transportation expenses | **(0.53)** | (0.38) | 39 | **(0.51)** | (0.44) | 16 |
| **Operating** | **19.19** | 9.71 | 98 | **17.14** | 5.61 | 206 |
| General and administrative | **(1.28)** | (1.54) | (17) | **(1.15)** | (2.21) | (48) |
| Finance expense - interest | **(2.57)** | (3.45) | (26) | **(2.76)** | (3.42) | (19) |
| Other income | **3.81** | - | - | **2.25** | - | - |
| Realized gain (loss) on derivatives | **-** | 1.06 | (100) | **-** | 3.23 | (100) |
| **Adjusted Funds Flow** | **19.15** | 5.78 | 231 | **15.48** | 3.21 | 382 |
| Unrealized loss on derivatives | **-** | (1.78) | (100) | **-** | 0.37 | (100) |
| Share based compensation | **(0.30)** | (0.75) | (60) | **(0.27)** | (0.74) | (64) |
| Depletion and depreciation | **(5.47)** | (12.49) | (56) | **(6.72)** | (13.72) | (51) |
| Impairments (recoveries) | **113.11** | - | - | **39.80** | (26.22) | (252) |
| Finance expense - accretion | **(2.81)** | (0.89) | 216 | **(4.00)** | (0.84) | 376 |
| Exploration & evaluation | **(0.42)** | (0.39) | 8 | **(0.28)** | (0.34) | (18) |
| Transaction costs | **(0.45)** | - | - | **(0.17)** | - | - |
| **Net income (loss)** | **122.81** | (10.52) | (1,267) | **43.84** | (38.28) | (215) |

## NET INCOME (LOSS), ADJUSTED FUNDS FLOW AND CASH FROM OPERATING ACTIVITIES

There was net income of $92,242 for the three months ended September 30, 2021 as compared to the loss of $8,037 in 2020. During the third quarter of 2021, Journey realized basic weighted average net income per share of $2.02 and $1.79 per share on a diluted basis. There was net income of $93,589 for the nine months ended September 30, 2021, which translated into $2.10 per basic share and $1.89 per diluted share as compared to a loss of $88,967 or $2.06 per basic and diluted share in 2020.

Adjusted Funds Flow during the third quarter of 2021 were $11,970, an increase of 170% from $4,427 realized in 2020. For the nine months ended September 30, Adjusted Funds Flow increased 300% from $7,435 in 2020 to $29,712 in 2021. The increase was significantly attributable to the significant increase in both crude oil and natural gas prices throughout the year.

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 third quarter of 2021 was $11,271 versus $4,685 during the same quarter of 2020. For the nine months year to date Cash Flow was $24,923 in 2021 as compared to $8,725 in 2020.

| Per share data | Three months ended September 30, 2021 | 2020 | % Change | Nine months ended September 30, 2021 | 2020 | % Change |
|---|---|---|---|---|---|---|
| Net income (loss) | **92,243** | (8,037) | (1,248) | **93,589** | (88,967) | (205) |
| Basic ($/share) | **2.02** | (0.19) | (1,163) | **2.10** | (2.06) | (202) |
| Diluted ($/share) | **1.79** | (0.19) | (1,042) | **1.89** | (2.06) | (192) |
| Adjusted Funds Flow | **11,970** | 4,427 | 170 | **29,712** | 7,435 | 300 |
| Basic ($/share) | **0.26** | 0.10 | 160 | **0.67** | 0.17 | 294 |
| Diluted ($/share) | **0.23** | 0.10 | 130 | **0.60** | 0.17 | 253 |
| Cash flow provided by operating activities | **11,271** | 4,685 | 141 | **24,923** | 8,725 | 186 |
| Basic ($/share) | **0.25** | 0.11 | 127 | **0.56** | 0.20 | 180 |
| Diluted ($/share) | **0.22** | 0.11 | 100 | **0.50** | 0.20 | 150 |

## CAPITAL EXPENDITURES

Journey had net capital expenditures of $3,132 on capital expenditures during the third quarter of 2021 representing a 62% increase from the same quarter in 2020. Net capital spent for the year to date in 2021 was $3,929 of which the majority was the $2,530 spent on the corporate acquisition in August. The corporate acquisition was for an aggregate price of $7,065. The total consideration was paid to the shareholders of the private corporation by the issuance of 3.5 million Journey shares at a deemed price of $1.19/share and the payment of $2.9 million of cash. Journey acquired $370 of cash in the acquisition bringing the cash cost to $2,530.

No wells were drilled in 2020 or 2021. Journey currently plans on spending approximately $6-7 million (excluding the corporate acquisition) throughout all of 2021 for optimizations and some minor additional capital improvements for the Company's power generation project. Net capital additions for the respective quarters is broken down as follows:

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Cash expenditures: | | | | | | |
| Land and lease rentals | **83** | 83 | 1 | **305** | 251 | 22 |
| Geological and geophysical | **-** | - | - | **-** | 4 | (100) |
| Recompletions | **147** | - | - | **139** | - | - |
| Well equipment and facilities | **412** | 82 | 402 | **813** | 792 | 3 |
| Power generation | **-** | 1,768 | (100) | **189** | 5,218 | (96) |
| Total capital expenditures | **642** | 1,933 | (67) | **1,446** | 6,265 | (77) |
| Corporate acquisition | **2,530** | - | - | **2,530** | - | - |
| PP&E dispositions | **(40)** | - | - | **(47)** | (16) | 194 |
| Capital expenditures (including A&D ) | **3,132** | 1,933 | 62 | **3,929** | 6,249 | (37) |
| Other expenditures: | | | | | | |
| Decommissioning liability costs incurred | **926** | 37 | 2,403 | **1,755** | 411 | 327 |
| Total capital expenditures | **4,058** | 1,970 | 106 | **5,684** | 6,660 | 15 |

## DECOMMISSIONING OBLIGATIONS ("DO")

The Company's decommissioning obligations result from ownership interests in petroleum and natural gas assets, which include: well sites, gathering systems, natural gas processing facilities and oil batteries. The estimated DO includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; the time frame in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. During the third quarter of 2021, Journey initiated a comprehensive re-evaluation of its cost estimates used in determining the overall DO's. The result was a reduction to the DO by $23.0 million in the quarter and $24.0 million for the entire year. The change resulted from evaluating new abandonment techniques as well as reviewing updated cost data, which was obtained from actual costs related to the significant abandonments undertaken by both Journey and the industry throughout 2020 and 2021. The undiscounted, un-escalated future DO costs at September 30, 2021 were $172,920 (December 31, 2020 - $191,909). The present value of the future liability at September 30, 2021 has been discounted using a real interest rate of 0.3% (December 31, 2020 – minus 0.3%), which is comprised of a risk-free discount rate of 2.0% less an assumed inflation rate of 1.7%. As at September 30, 2021, no funds have been specifically set aside to settle these obligations. The decommissioning obligations will be funded from future cash flows from operations.

Accretion charges for the three and nine-month periods ended September 30, 2021 were $788 and $2,501 respectively while for 2020 they were $564 and $1,584 respectively. These costs have been recognized in the statements of comprehensive net income (loss) to reflect the increase in DO associated with the passage of time.

Spending under Journey's abandonment and reclamation program for the three and nine month periods ended September 30, 2021 were $3,347 and $4,176 respectively (which includes the government grant funds expended) while for 2020 they were $37 and $411 respectively.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey's assets are funded entirely out of cash flows from operating activities. Journey's Liability Management Rating is within the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required at September 30, 2021 and at the date of this MD&A. Throughout 2020 and extending into 2021, Journey has taken advantage of the Alberta Government's Site Rehabilitation Program. This program was designed to accelerate the abandonment and reclamation of inactive oil and gas wells and facilities in Alberta. So far, to date Journey has been allocated $3.4 million under the program and the Company has expended $2.4 million of this amount doing closure work on approximately 100 well sites.

## LEASE OBLIGATION LIABILITIES ("LO")

At September 30, 2021, Journey's discounted lease obligations were $1,096 (December 31, 2020 - $1,271). The discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of $30 and $94 for the three and nine months ended September 30, 2021 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 three and nine months ended September 30, 2020 accretion charges were $71 and $228 respectively. Expenditures for the LO for the three and nine month periods ended September 30, 2021 were $89 and $269 respectively. For the three and nine month periods in 2020, the expenditures were $403 and $1,233.

## LIQUIDITY AND CAPITAL RESOURCES

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

While there are still economic concerns for the global economy caused by the ongoing Covid-19 Pandemic (see comments below) and specifically with respect to demand for commodities, which in turn affects commodity prices, the financial landscape for Journey has improved significantly. The improvement in commodity prices has been positive in improving the outlook for the Company's liquidity. In addition, Journey has worked alongside its sole debt provider and largest single shareholder, AIMCo to extend the maturity of the tranche of term debt that was due on September 30, 2021. In an amendment to the credit agreement on June 18, 2021, AIMCo extended the maturity of the $15 million term debt to December 31, 2021. To September 30, 2021, Journey has repaid $20.75 million of its term debt commitments. Journey not only repaid the $10 million tranche earlier than its due date, which was October 31, it also repaid the balance of its obligation on the $15 million tranche (due December 31) on October 28. As a result, Journey has fulfilled all of its repayment commitments to AIMCo for 2021.

Under the AIMCo credit facility, the Company is required to maintain a Liability Management Rating ("LMR") greater than 1.5. The Company was in compliance with this requirement as at September 30, 2021 and remains in compliance as of this date with a 1.8 rating. The Company has applied for and has received approval for funding under a recent program announced by the Federal Government to reclaim and abandon certain properties. This program, will further improve Journey's Liability Management Rating.

### *Covid-19 Pandemic*

In March 2020, the World Health Organization declared a pandemic. 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.

While Journey's financial health has improved significantly from March of 2020, the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time. Recently, and concurrent with global announcements of vaccine rollouts, oil and natural gas prices have improved. This has been helpful to the industry and the Company. However, there remains an element of uncertainty over how quickly the global economic can recover and if there are additional waves related to the pandemic. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

Net Debt of the Corporation at September 30, 2021 was $67,857. This amount was comprised of working capital deficit of $20,423 (current assets minus current liabilities minus but excluding the components related to asset retirement obligations and lease obligation liabilities) plus the long-term portion of the principal amount of term debt of $43,717, other loans of $156, and the mark to market value of the contingent bank debt of $3,561. Based on Journey's currently forecasted cash flows for 2022, it will have sufficient funds to be able to repay the next maturity of term debt on September 30, 2020 of $24,700 as well as funds its capital program.

## RELATED PARTY TRANSACTIONS

The Company considers its directors and executives to be key management personnel and are therefore related parties. For the three month periods ended September 30, compensation for these individuals is comprised of the following:

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Salaries and director fees | **212** | 295 | (28) | **813** | 866 | (6) |
| Short-term employee benefits | **3** | 23 | (87) | **29** | 50 | (42) |
| Share based payments (i) | **266** | 223 | (19) | **468** | 663 | (29) |
| Total | **481** | 541 | (11) | **1,310** | 1,579 | (17) |

(i) These amounts represent the amortization of share-based compensation associated with the Company's share based compensation plans.

(ii) As at September 30, 2021 there were seven (September 30, 2020 – eight) individuals that were considered key management personnel.

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

## CONTRACTUAL OBLIGATIONS

In addition to the commitments listed below, the Company has various indemnifications in place in the ordinary course of business, none of which, as assessed by management, is expected to have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

(a) Transportation and office lease costs

The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts:

| | Total | < 1 year | 1-3 years | 4-5 years | After |
|---|---|---|---|---|---|
| Term debt – principal amount | **67,534** | 23,817 | 43,717 | - | - |
| Interest on term debt | **16,134** | 7,369 | 7,986 | 779 | - |
| Contingent bank payments - maximum | **5,750** | 750 | 5,000 | - | - |
| Natural gas transportation | **2,003** | 713 | 991 | 299 | - |
| Operating leases | **3,530** | 879 | 1,736 | 915 | - |
| Total | **94,951** | 33,528 | 59,430 | 1,993 | - |

(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

On October 28, 2021, Journey repaid the remaining balance of the $15.0 million term-debt tranche owing to AIMCo. $4,250 was due to be repaid by December 31, 2021 but due to strong cash flows realized so far in 2021, Journey paid it off earlier than expected.

## SHARE CAPITAL

On August 18, 2021, 3.5 million shares were issued to the shareholders of the corporate acquisition as partial consideration for the purchase price. The following table provides a summary of the outstanding common shares and other equity instruments outstanding.

| *Outstanding* | **November 9, 2021** | **September 30, 2021** | December 31, 2020 |
|---|---|---|---|
| Common shares outstanding | **47,525** | **47,525** | 43,087 |
| Options, warrants, restricted and performance share awards | **8,374** | **9,402** | 5,087 |
| Fully diluted shares | **55,899** | **56,927** | 48,174 |

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| *Weighted average* | **2021** | 2020 | % Change | **2021** | 2020 | % Change |
| Basic | **45,661** | 43,087 | 6 | **44,552** | 43,087 | 3 |
| Diluted | **51,459** | 43,087 | 19 | **49,639** | 43,087 | 15 |

## SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

| | Sep. 30, 2021 | June 30, 2021 | Mar 31, 2021 | Dec. 31, 2020 |
|---|---|---|---|---|
| Production (boe/d) | 8,164 | 7,709 | 7,577 | 8,074 |
| Average prices realized, pre-hedging ($/boe) | 44.05 | 39.23 | 34.57 | 26.46 |
| Petroleum and natural gas sales | 33,083 | 27,521 | 23,575 | 19,651 |
| Net income (loss) | 92,243 | (353) | 1,699 | 32,343 |
| Basic – per share ($/share) | 2.02 | (0.01) | 0.04 | 0.75 |
| Diluted – per share ($/share) | 1.79 | (0.01) | 0.04 | 0.75 |
| Adjusted Funds Flow | 11,970 | 9,030 | 8,712 | 6,040 |
| Basic – per share ($/share) | 0.26 | 0.21 | 0.20 | 0.14 |
| Diluted – per share ($/share) | 0.23 | 0.19 | 0.18 | 0.14 |
| Cash flow provided by operating activities | 11,271 | 9,357 | 4,295 | 2,909 |
| Total assets | 331,468 | 262,704 | 258,234 | 287,673 |
| Net capital expenditures | 6,776 | 332 | 465 | 817 |
| Long term financial liabilities | 205,077 | 250,800 | 239,658 | 265,931 |
| Net debt | 67,857 | 75,670 | 83,729 | 90,355 |

| | Sep. 30, 2020 | June 30, 2020 | Mar. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|---|
| Production (boe/d) | 8,311 | 7,808 | 9,325 | 9,463 |
| Average prices realized, pre-hedging ($/boe) | 24.53 | 15.71 | 21.61 | 31.17 |
| Petroleum and natural gas sales | 18,759 | 11,166 | 18,336 | 27,134 |
| Net earnings (loss) | (8,037) | (15,489) | (65,441) | (7,654) |
| Basic – per share ($/share) | (0.19) | (0.36) | (1.52) | (0.18) |
| Diluted – per share ($/share) | (0.19) | (0.36) | (1.52) | (0.18) |
| Adjusted Funds Flow | 4,427 | 3,213 | (205) | 5,905 |
| Basic – per share ($/share | 0.10 | 0.07 | (0.01) | 0.14 |
| Diluted – per share ($/share) | 0.10 | 0.07 | (0.01) | 0.13 |
| Cash flow from operations | 4,685 | 2,627 | 1,382 | 11,684 |
| Total assets | 292,647 | 289,482 | 276,794 | 344,989 |
| Net capital expenditures | 1,933 | 1,040 | 3,276 | 9,331 |
| Long term financial liabilities | 208,146 | 242,152 | 211,712 | 212,024 |
| Net debt | 124,644 | 126,634 | 128,435 | 124,213 |

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 and the productivity of the wells.

Significant factors and trends that have affected the Company's results during the above periods are outlined below:

- The third quarter of 2021 showed continued improvement in commodity prices. Journey realized an average of $44.05/boe, a 12% increase from the second quarter. Realized natural gas prices increased by 18% from the previous quarter while realized crude oil prices increased 9%. PN&G sales volumes were 6% higher than the second quarter at 8,164 boe/d (53% natural gas). The increase was mainly attributable to the corporate acquisition of approximately 600 boe/d (70% natural gas) on August 18. Increased operating expenses and royalties offset some of the gains in commodity prices during the quarter. Journey realized an $85 million impairment recovery and this coupled with the strong operating results, translated into net income of $92,243 in the quarter. Journey generated strong Adjusted Funds Flow of $11,970 in the quarter or $0.26 per basic weighted average share. Other than the corporate acquisition of $6,174, net capital spending was minimal at $598 and was limited to small optimization projects. Journey repaid $10.0 million of AIMCo term debt in the quarter and exited the quarter with net debt of $67,857.
- The second quarter of 2021 showed continued improvement in commodity prices with Journey realizing an average of $39.23/boe, a 13% increase from the third quarter. Realized natural gas prices increased marginally by 1% from the previous quarter while realized crude oil prices increased 19%. Commodity sales volumes were 2% higher than the third quarter at 7,709 boe/d. Increased operating expenses and royalties prices increased during the quarter, which all translated into a small net loss of $353. However, Journey generated strong Adjusted Funds Flow of $9,030 in the quarter or $0.21 per basic weighted average share. Capital spending was minimal at $332 and was limited to small optimization projects. Journey was able to optimize its power generation asset and by June brought it up to a 95% run-rate level for the month of June. Journey generated 6,831 MW of electricity at an average price of $123/MW. Journey repaid $7.0 million of AIMCo term debt in the quarter and exited the quarter with net debt of $75,670.
- The third quarter of 2021 had markedly improved commodity prices with Journey realizing an average of $34.57/boe. Realized natural gas prices increased 17% from the previous quarter while realized crude oil prices increased 35%. While sales volumes fell to 7,577 boe/d, the increased prices allowed Journey to turn a profit of $1,699 and generate $8,712 in Adjusted Funds Flow. Capital spending of $465 was limited to small optimization projects and a minor enhancement to the power generation project. The third quarter was the third full quarter of operations for the power project. While the asset was at approximately 68% of capacity due to additional modifications being done, Journey still generated 5,854 MW of electricity at an average price of $130/MW. Journey repaid $3.75 million of AIMCo term debt in the quarter.
- During the fourth quarter of 2020, production volumes averaged 8,074 (54% natural gas), which was a 3% decrease from 8,311 boe/d in the third quarter. Realized prices increased 8% to average $26.46/boe from the previous quarter. This increase was led by the increase in natural gas prices by 24% from the third quarter as the onset of winter pricing took hold. However, by mid-December, the pandemic took hold again and worldwide economies were starting to close again due to the third wave of infections. Capital spending was almost exclusively getting the power project operating and de-bugged. Electricity generation for the months of October and November were minimal during this de-bugging period. Due to the uncertainty surrounding the negotiations with its syndicate of banks, coupled with the direction and instability of both natural gas and oil price, Journey did not drill any new wells in the fourth quarter. The discussions with the banks culminated in a deal on October 30 to buy the bank debt then outstanding ($75 million) for $38 million plus a $5.75 million future contingent payment. The funds to buy the banks debt were provided by Journey's largest shareholder AIMCo.
- The third quarter had production of 8,311 boe/d (53% natural gas) as most third quarter production was brought back on-line as oil prices rose. Average realized commodity prices were $24.53/boe in the third quarter with oil prices rising to $42.36/bbl and natural gas prices were $2.08/mcf. Funds flow was $4,427 and capital spending was restricted to mainly the power generation project wherein $1,933 was incurred

during the quarter. The power project was commissioned on September 29. The Company exited the quarter with $124,644 in net debt of which $73 million was bank debt. The Company remained in forbearance on its syndicated bank line during the third quarter as it worked its way to a solution.

- The third 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 third 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 third quarter. The Company exited the quarter with $126.6 million of net debt.
- The third 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 third quarter and capital spending was limited primarily to the power project. All available financial 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 third 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.

## CRITICAL ACCOUNTING ESTIMATES

The consolidated interim financial statements for the three and nine months ended September 30, 2021 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2020.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2020 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2020 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The December 31, 2020, audited consolidated financial statements are available on SEDAR at www.sedar.com.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

## CHANGES IN ACCOUNTING POLICIES

There were no new IFRS accounting standards adopted in 2021.

There were no new or amended accounting standards or interpretations issued during the period ended September 30, 2021 that will materially affect the Company's future reporting periods.

## RISK FACTORS AND RISK MANAGEMENT

The risks in the oil and gas industry are varied and wide-ranging. The primary risks and how the Company mitigates them are as follows:

Commodity Price Risk

The Company's operating results and financial condition are dependent on prices received for the production of natural gas, NGL and oil. Commodity prices have historically been subject to wide fluctuations and have the most material impact on Funds Flow. These prices are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. Prices received in Canada also reflect changes in the Canadian/US currency exchange rate. Journey's strategy to mitigate these risks focuses on the use of puts, swaps, costless collars and fixed price contracts to limit exposure to downturns in commodity prices while allowing, to the maximum extent possible, maximum exposure to commodity price increases. The Company's hedging activities are conducted pursuant to the Company's Risk Management policy approved by the Board of Directors. Revenues and the resulting Funds Flows fluctuate with commodity prices, which are tied directly to the US/Canadian dollar exchange rate. Commodity prices are determined on a global basis and circumstances that occur in various parts of the world are outside of the control of the Company. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy, diversifying its asset mix and strengthening its balance sheet in order to take advantage of low price environments by making strategic acquisitions. Journey enters into commodity price contracts to actively manage the risks associated with price volatility and thereby partially protect Funds Flows, which are used to fund our capital program.

The risk associated with using these derivative contracts include: commodity prices moving materially in favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. Journey mitigates these risks by dealing with its lending banks as the primary counterparties.

Foreign Exchange Risk

Journey is also exposed to fluctuations in the exchange rate between the Canadian and US dollar. Most commodity prices are based on US dollar benchmarks, which result in our realized prices being influenced by the Canadian/U.S. currency exchange rates.

Liquidity Risk

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

- material declines in revenue and cash flows a result of the collapse in commodity prices and reductions in production levels;
- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;

- inability to comply with debt covenants and restrictions in lending agreements (discussed further below);
- increased risk of non-payment of accounts receivable and customer defaults;
- restructuring charges as the Company aligns its structure and personnel to the dynamic environment; and
- the current economic and commodity-pricing environment further jeopardizes the Company's ability to continue as a going concern.

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

Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital balance. The currently available capacity on the Company's credit facility is assessed by Management to be sufficient to ensure obligations will be met as they come due.

The following table details Journey's financial liabilities as at September 30, 2021:

| | **Total** | **< 1 year** | **1-3 years** | **4-5 years** | **After** |
|---|---|---|---|---|---|
| Term debt – principal amount | **71,783** | 28,066 | 24,700 | 19,017 | - |
| Interest on term debt | **16,134** | 7,369 | 7,986 | 779 | - |
| Contingent bank payments - maximum | **5,750** | 750 | 5,000 | - | - |
| Accounts payable and accrued liabilities | **16,765** | 16,765 | - | - | - |
| Operating leases | **3,530** | 879 | 1,736 | 915 | - |
| Transportation contracts | **2,003** | 713 | 991 | 299 | - |
| Total financial liabilities | **115,965** | 54,542 | 40,413 | 21,010 | - |

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 25$^{th}$ day of the month following delivery.

The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

Credit Facility Risk

The global pandemic continues to cause issues with industry debt providers as the decrease in world oil prices are felt by all producers. On October 30, 2020, Journey entered into a three-way agreement between its term debt provider (AIMCo) and its syndicate of banks wherein the bank debt was settled and AIMCo became its sole debt provider. There is still a risk that give the impact of the pandemic and the time needed for the economy to recover, that Journey may not be able to make its scheduled principal and interest payments. While AIMCo, as the largest shareholder of Journey, has been supportive of Journey, there is no assurance that they will not enforce their security should the payments not be made.

Access to Capital Markets

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

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

Interest Rate Risk

Journey is exposed to interest rate fluctuations. Interest rate risk arises from changes in market interest rates that may affect the future Funds Flows from the Company's financial assets or liabilities. As of October 30, 2020 all of Journey's borrowings are comprised of term debt, which carry fixed interest rates. However, as these various tranches of term debt mature, Journey will need to renegotiate new terms to the extent that the debt is not repaid at maturity. The interest rates could increase materially upon these renegotiations to the extent market interest rates have moved upward.

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs

The industry experiences significant cost swings for its services. Demand for all services decreased in 2020, as companies had to become more efficient in the drilling activities due to low commodity prices and demanded price reductions from all service suppliers. However, if activity accelerates, the demand for services can outstrip the supply and significant cost increases can take place. The Company mitigates risks by entering into strategic joint ventures to reduce exposure to high costs and diversify drilling risks. The Company employs experienced and motivated staff to evaluate and generate high quality drilling prospects. In addition, the Company seeks to utilize appropriate technology and responsible operating practices in operating its wells. The Company utilizes appropriate safety programs and insurance coverage to guard against potential losses. Concentrating on core areas wherein Journey has high degrees of ownership and operatorship further mitigates increasing operating costs as economies of scale are gained. Journey attempts to minimize finding risk by:

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

Administrative Risks

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

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, methods, and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Environmental Regulations

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

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner, which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The AER has made changes to its LLR program whereby operators are rated with respect the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is currently 1.8 and the Company does not expect to post any such deposits in the near 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 September 30, 2021, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporations ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

There were no changes in the Corporation's ICFR that occurred during the period beginning on July 1, 2021 and ended on September 30, 2021 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 third quarter of 2021

The September 30, 2021 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.