



## **MANAGEMENT'S DISCUSSION AND ANALYSIS – 2019**

The following Management's Discussion and Analysis ("MD&A") was prepared on March 9, 2020 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "Company") financial and operating results for the three and twelve months ended December 31, 2019 and 2018. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 31, 2019 and 2018 along with the notes related thereto.

Additional information on the audited consolidated financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in Management's Report to shareholders included with the financial statements. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Journey prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### **Forward-Looking Information**

This MD&A contains forward-looking statements. More particularly, this MD&A contains statements concerning anticipated: (i) timing and completion of the acquisitions, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the acquisitions, (ii) potential development opportunities and drilling locations associated with the acquisitions, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the acquisitions, (iii) oil and natural gas production growth (iv) debt and bank facilities, (v) capital expenditures, (vi) primary and secondary recovery potentials and implementation thereof, (vii) decline rates, (viii) funds flow from operations, (ix) operating and Funds Flow netbacks, (x) operating expenses, (xi) general and administrative expenses, and (xii) realization of anticipated benefits of acquisitions.

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

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and

production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in this MD&A under the heading 'Risk Factors'.

## Non-GAAP Measures

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

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

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

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Cash flow generated by operating activities	11,684	(4,638)	(352)	27,748	15,415	80
Add (deduct):						
Changes in non-cash working capital	(6,689)	4,384	(253)	(1,593)	1,396	(214)
IFRS 16 lease payments	404	-	-	1,613	-	-
Transaction costs	1	23	(96)	27	194	(86)
Decommissioning costs incurred	1,313	189	595	2,236	1,288	74
Funds Flow	5,905	(42)	(14,160)	26,805	18,293	47

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

	December 31, 2019	December 31, 2018	% Change
Principal amount of bank indebtedness	68,900	76,509	(10)
Principal amount of term debt	44,000	52,000	(15)
Accounts payable and accrued liabilities	27,715	16,878	64
<u>Deduct:</u>			
Accounts receivable	(15,193)	(9,220)	65
Prepaid expenses	(1,209)	(1,858)	(25)
Net debt	124,213	134,309	(8)

### Abbreviations and BOE Advisory

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

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet ("Mcf") to one (1)

barrel. Use of the term “boe” may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel (“Bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

## **Amounts**

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

## **HIGHLIGHTS FROM THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2019**

### **Financial**

Journey recorded Funds Flow of \$5,905 in the fourth quarter of 2019 representing \$0.14 per share basic and \$0.13 per diluted share. Cash flow from operating activities was \$11,684 in the fourth quarter of 2019. The net loss for the fourth quarter was \$7,654 (\$0.18 per basic and diluted share). Journey successfully restructured the maturities on its term debt on September 30, 2019 so that it now has no expiries on its term debt until late 2022. On September 30, 2019, the Company concluded a flow-through share issuance of 2,790,700 shares at \$2.60 per share for gross proceeds of \$7,256. The Company exited the fourth quarter with net debt of \$124,213, which was a decrease of 8% from the amount outstanding at December 31, 2018.

### **Capital spending**

During the fourth quarter, Journey spent \$9,331 on its capital program, which was primarily directed to drilling 4 (4.0 net) wells in the Matziwin area. All four wells were drilled, completed and tied-in during the fourth quarter. The Company also spent \$1,313 on abandonment and reclamation costs during the quarter.

### **Production**

Production decreased 5% in the fourth quarter of 2019 to average 9,463 boe/d versus 9,921 in the same quarter of 2018. However, the liquids (oil and NGL) contribution was higher by 7% during this same period as liquids accounted for 49% of total boe production.

### **Outlook**

Benchmark pricing strengthened in the fourth quarter for all products. Natural gas prices rose to average \$2.48/mcf from \$1.00/mcf in the third quarter; Canadian light sweet oil prices were stable in the high \$60’s range in both the third and fourth quarter and WCS prices were down slightly from the third quarter to average \$54.29/bbl CAD. In January of 2020 oil prices rose initially to over \$80/bbl CAD but this was short lived as oil prices rose with tensions in the Middle East and then abated shortly afterward. Then the impact of the coronavirus started to take hold and WTI oil prices sank to the \$50/bbl USD level throughout most of February. Journey is being cautious with its capital spending as it works to reduce its exit 2019 net debt of \$124,213 throughout 2020. Due to uncertainties around the worldwide financial and energy consumption impact of the COVID 19 pandemic, Journey has issued first-half 2020 guidance only. For the first half of 2020, Journey is using an average WTI price of \$53 USD; MSW differentials of \$5/bbl USD; WCS differentials of \$14/bbl USD; a realized natural gas price average of \$1.70/mcf CAD; and a US\$/CDN\$ exchange rate of \$0.76. Capital spending is expected to be \$10-11 million in the first half, while improving the balance sheet continues to be of paramount importance for the Company. Journey will continue to explore all avenues to reduce debt levels including asset sales and capital spending that maintains current production. For 2020 Journey anticipates operating expenses (net of recoveries) to be in the \$14/boe range, while transportation costs are expected to average in the \$0.50/boe range. The capital budget includes the completion of Journey’s electricity generation project as well as the drilling of 3 (2.7 net) wells. With this level of spending we anticipate production levels to average between 9,200-9,400 boe/d during the first half of 2020.

Journey has executed definitive agreements for the disposition of non-core assets that are currently in the regulatory approval stage. Collectively these agreements will result in a disposition of 700-800 boe/d of high operating cost production. These transactions are expected to have a moderate impact on production levels and an immaterial impact on fund flows and debt levels, but a significant impact on asset retirement obligation levels. Additional information will be provided upon closing of these transactions.

The three wells drilled and completed by Kiwetinohk Resources Corp. (“KRC”) as part of our East Duvernay Joint Venture (“JV”) continue to perform at or above expectations. Since putting these wells on production, KRC has equipped each with gas lift and is continuing to evaluate the overall production performance. Under the terms of the JV, KRC has until the end of August 2020 to complete the earning of approximately 31 additional sections of land. Journey considers this unearned land to be some of the best remaining in the heart of the oil window with over 30 meters of contiguous pay thickness in the Duvernay. Further clarification of KRC’s intentions to complete its earning in the lands under the JV should be better understood in the next few months. Should KRC not complete full earning, Journey would own a 37.5% working interest in approximately 120 total gross sections of land governed by the JV and 100% interest in the remaining 31 gross sections of land in the heart of the play. Subject to KRC’s remaining earning operations on the unearned lands, Journey is currently seeking all options to advance the lands and development potential of this world class resource.

## DETAILED FINANCIAL REVIEW

### PRODUCTION REVENUE AND VOLUMES

#### Daily Sales Volumes

Daily sales volumes decreased 5% to 9,463 boe/d in the fourth quarter of 2019 from 9,921 boe/d in the fourth quarter of 2018. The decrease was mainly attributable to natural declines. Natural gas volumes were 9% lower in the fourth quarter of 2019, while oil was lower by 1% and NGL’s were higher by 6%. For the twelve month periods, daily sales volumes decreased 7% to 9,372 boe/d for 2019 from 10,075 boe/d in 2018.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf/d)	29,202	31,996	(9)	29,079	32,083	(9)
Crude oil (Bbl/d)	3,939	3,971	(1)	3,934	4,067	(3)
Natural gas liquids (Bbl/d)	657	617	6	592	661	(10)
Barrels of oil equivalent (boe/d)	9,463	9,921	(5)	9,372	10,075	(7)

Daily BOE production for the twelve months ended December 31, 2019 and 2018 are shown by Journey’s significant operating properties as follows:

Area	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Countess	2,058	2,289	(10)	2,108	2,431	(15)
Matziwin	2,001	1,903	5	1,834	1,637	12
Gilby	1,593	1,636	(3)	1,559	1,790	(15)
Crystal	1,234	1,119	10	1,134	1,246	(10)
Cherhill	875	994	(12)	922	982	(7)
Alberta other	1,702	1,980	(14)	1,815	1,989	(10)
Total	9,463	9,921	(5)	9,372	10,075	(7)

## Volumetric Product Mix

% of Aggregate Production	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	51	54	(6)	52	53	(2)
Crude oil	42	40	5	42	40	5
Natural gas liquids	7	6	17	6	7	(14)
Total	100	100		100	100	

For the fourth quarter, natural gas production contributed 51% (2018 – 54%) of total sales volumes; oil volumes were 42% (2018 – 40%) and NGL's were 7% (2018 – 6%). For the twelve months ended December 31, 2019 natural gas production contributed 52% which was similar to the 53% in 2018; oil was 42% as compared to 40% in 2018 and NGL's were 6% for 2019 (2018 – 7%). The concentration on oil drilling caused the oil percentage to increase by 5% in 2019.

## Benchmark Indices

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
<b>Crude Oil</b>						
WTI (US\$/Bbl)	56.96	58.81	(3)	57.02	64.76	(12)
CDN light sweet (CDN\$/Bbl)	66.77	48.27	38	68.87	68.82	-
WCS (CDN\$/Bbl)	54.29	36.01	51	58.77	52.34	12
<b>Natural Gas</b>						
NYMEX (US \$/Mmbtu)	2.42	3.74	(35)	2.53	3.07	(18)
AECO - Daily (CDN\$/Mcf)	2.48	1.62	53	1.80	1.54	17
<b>Foreign Exchange</b>						
Canadian to US dollar	0.7576	0.7569	-	0.7537	0.7719	(2)
US to Canadian dollar	1.3200	1.3214	-	1.3268	1.2961	2

WTI oil prices decreased 3% in the fourth quarter of 2019 to \$56.96 USD/bbl as compared to \$58.81 USD/bbl in the fourth quarter of 2018. Canadian light oil prices increased 38% during the fourth quarter of 2019 as compared to 2018. While WTI prices were relatively stable over this quarter, the dramatic change in Canadian light sweet prices was due to the large differentials experienced at the end of 2018, which subsequently recovered in early 2019. The differentials between WTI and Canadian Light oil reference prices averaged \$6.38/bbl USD in the fourth quarter from approximately \$4/bbl USD in the third quarter. By comparison, in the fourth quarter of 2018 the differentials averaged \$22.26/bbl USD. WCS prices strengthened by 51% in the fourth quarter of 2019 to \$54.29/bbl as compared to \$36.01/bbl in the comparable quarter of 2018. For the year to date WCS prices were 12% higher at \$58.77/bbl as compared to \$52.34/bbl in 2018. Journey had approximately one-third of its production exposed to WCS pricing in 2019.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 53% higher at \$2.48/mcf in the fourth quarter of 2019 as compared to \$1.62/mcf during the same period in 2018. For the year to date, AECO was \$1.80/mcf, which was 17% higher than the \$1.54/mcf in 2018. The combination of the restricted ability to export Alberta natural gas, and the competition with U.S. natural gas being imported into Eastern Canada and the North East United States continued to keep Alberta prices at low levels as North American storage levels were well within the five year average coming into the winter months. The belief that there is ample production response to any significant storage draws continues to keep natural gas prices low.

## Realized Prices

Commodity prices realized by Journey were as follows:

a) Realized prices excluding hedging gains and losses:

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	1.74	2.39	(27)	1.55	1.75	(11)
Crude oil (\$/Bbl)	57.70	31.53	83	60.80	57.09	6
Natural gas liquids (\$/Bbl)	25.86	32.44	(20)	25.29	40.49	(38)
Total (\$/boe)	31.17	22.34	40	31.92	31.28	2

Journey realized \$1.74/mcf for natural gas in the fourth quarter of 2019 as compared to \$2.39/mcf in 2018. Conversely realized oil prices were 83% higher at \$57.70/bbl compared to \$31.53/bbl in 2018. The recovery in differentials throughout 2019 was a significant contributor to this increase in realized oil prices. The higher realized oil prices contributed significantly to the 33% increase in PN&G revenue in the fourth quarter of 2019 as compared to the fourth quarter of 2018. Overall, Journey realized a corporate price of \$31.17/boe during the fourth quarter which was 40% higher than the \$22.34/boe realized in the fourth quarter of 2018. For the twelve months ended December 31, 2019 Journey's average realized commodity prices increased 2% to \$31.92/boe from \$31.28/boe in 2018. For the twelve months ended December 31, 2019 realized natural gas prices were 11% lower than 2018 prices averaging \$1.55/mcf as compared to \$1.75/mcf in 2018. Oil prices were 6% higher at \$60.80/bbl during the twelve months of 2019 as compared to \$57.09/bbl in 2018. NGL prices were 38% lower in 2019 than in 2018 as they averaged \$25.29/bbl in 2019 as compared to \$40.49/bbl in 2018.

b) Realized prices including hedging gains and losses:

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

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	1.74	2.51	(31)	1.55	1.97	(21)
Crude oil (\$/Bbl)	58.23	28.57	104	60.62	47.48	28
Natural gas liquids (\$/Bbl)	25.86	32.44	(20)	25.29	40.49	(38)
Total (\$/boe)	31.39	21.56	46	31.85	28.10	13

The only realized price that was different that the unhedged price in the fourth quarter was oil. Oil prices in the fourth quarter averaged \$58.23/bbl, which was 104% higher than the \$28.57/bbl realized in the fourth quarter of 2018. For the year to date, oil prices were 28% higher in 2019 at \$60.62/bbl compared to \$47.48/bbl in 2018.

## RISK MANAGEMENT ACTIVITIES

At December 31, 2019, the Company had the following derivative contracts in place:

### Financial Oil Contracts

Contract Type	Reference Price	Contract Pricing \$/BBL	Quantity (bbl/d)	Term
Differential	WTI	(6.50) USD	500	Calendar 2020
Swap	WTI	74.25 CAD	500	January – September 2020
Collar	WTI	66.00 – 81.00 CAD	500	Calendar 2020
Call	WTI	87.00 CAD (Prem-1.45 CAD)	500	April - December 2020
Collar	WTI/CAD	72.00 – 80.35 CAD	500	January - March 2020
Swap	WTI/CAD	81.50 CAD	500	February - June 2020

### Physical Gas Contracts

Type	Volume mmbtu/d	Pricing point	Strike \$ per mmbtu	Term
AECO basis differential	18,000	4 major U.S. hubs	USD (1.32)	Current to December 31, 2020
AECO basis differential	18,000	4 major U.S. hubs	USD (1.05)	January 1 to December 31, 2021

### Financial Gas Contracts

Execution Date	Contract Type	Reference Point	Pricing \$/GJ	Quantity	Term
Dec 19/19	Collar	AECO	1.40-1.75 CAD	5,000 gj/d	Apr-Oct 2020

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

\$ 000's	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Realized	194	(709)	(127)	(253)	(11,693)	(98)
Unrealized	(751)	15,453	(105)	(1,685)	3,386	(150)
Total	(557)	14,744	(104)	(1,938)	(8,307)	(77)

The change in the value of these contracts for the three months ended December 31, 2019 resulted in a realized gain of \$194 and an unrealized loss of \$751 for a total derivative loss of \$557. For the twelve months ended December 31, 2019 there was a total loss of \$1,938, which was comprised of a realized loss of \$253 and an unrealized loss of \$1,685.

\$/boe	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Realized	0.22	(0.78)	(128)	(0.07)	(3.18)	(98)
Unrealized	(0.86)	16.93	(105)	(0.49)	0.92	(153)
Total	(0.64)	16.15	(104)	(0.57)	(2.26)	(75)

The fair value of Journey's unrealized commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data. The fair value of financial derivatives are recurring measurements and are determined using third-party models and valuation methodologies that utilize observable

market data, including forward commodity prices and interest rates to estimate the current fair value of financial derivatives. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels are as follows:

- a) Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- b) Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the marketplace from sources such as New York Mercantile exchange or the Natural Gas Exchange.
- c) Level 3 – inputs are less observable, unavailable or where the observable data does not support the majority of the instruments fair value.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby partially protect funds flows, which are used to fund its capital program. The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey’s favour. Journey mitigates these risks by entering into risk management contracts for oil, natural gas and foreign exchange.

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

During the fourth quarter of 2019, aggregate P&NG sales increased 34% to \$27,134 as compared to \$20,390 for the same period in 2018. The increase in revenues is explained by the 40% increase in average commodity prices quarter to quarter. For the twelve months ended December 31, aggregate P&NG sales decreased 5% to \$109,190 in 2019 from \$115,041 in 2018. For the twelve month period in 2019, the decrease in P&NG sales was primarily the result of a 6% decrease in sales volumes, which was partially mitigated by a 2% increase in average commodity prices. Realized prices decreased for natural gas by 27%; increased for oil by 83% and decreased for NGL’s by 20% between the comparative quarters. For the twelve month periods, prices decreased for natural gas (11%), and increased for oil (6%) and decreased for NGL’s (38%).

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Crude oil	20,911	11,518	82	87,290	84,754	3
Natural gas	4,661	7,031	(34)	16,437	20,521	(20)
Natural gas liquids	1,562	1,841	(15)	5,463	9,766	(44)
P&NG sales	27,134	20,390	33	109,190	115,041	(5)

P&NG Sales (% Contribution)	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Crude oil	77	57	37	80	74	8
Natural gas	17	34	(50)	15	18	(15)
Natural gas liquids	6	9	(33)	5	8	(41)
Total	100	100		100	100	

## ROYALTIES

For the fourth quarter of 2019 total royalties were \$3,766 as compared to \$2,697 for the same period in 2018. On a per boe basis, the royalty rate increased to \$4.33 in 2019 as compared to \$2.95 in 2018. As a percentage of revenue, the rate for the fourth quarter of 2019 was 13.9% or 5% higher than the 13.2% realized in 2018. The increase in total royalties and percentage of revenues is primarily explained by the 83% higher Journey realized oil prices. The royalty impact on the higher oil prices was mitigated by the lower natural gas and NGL prices realized in the fourth quarter.

For the twelve months ended December 31, royalties were \$13,775 in 2019 as compared to \$15,386 for the same period in 2018. On a per boe basis, the royalty rate decreased 4% to \$4.03 in 2019 as compared to \$4.18 from last year. As a percentage of revenue, the rate for 2019 was 12.6% or 6% lower than the 13.4% realized in 2018. The decrease in average royalty rates for 2019 were primarily attributable to the relatively minor increase in average realized prices of 2%, coupled with reduced royalty rates for the 7.0 net oil wells drilled in Matziwin, which attract lower royalties for initial production.

\$ 000's	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Crown	2,000	1,335	50	7,474	8,244	(9)
Freehold/gross over-riding	1,766	1,362	30	6,301	7,142	(12)
Total royalties	3,766	2,697	40	13,775	15,386	(10)
Royalties (as a % of P&NG sales)	13.9	13.2	5	12.6	13.4	(6)

\$ / boe	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Crown	2.30	1.46	58	2.19	2.24	(3)
Freehold/gross over-riding	2.03	1.49	36	1.84	1.94	(5)
Total royalties	4.33	2.95	47	4.03	4.18	(4)

## NET OPERATING EXPENSES

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Operating expense per the financial statements	13,685	12,656	8	51,861	52,984	(2)
Less: processing & other income	(936)	(819)	14	(3,175)	(3,410)	(7)
Net operating expenses	12,749	11,837	8	48,686	49,574	(2)
Net expense (\$ per BOE)	14.64	12.97	13	14.23	13.48	6
Net expense (% of P&NG sales)	47.0	58.1	(19)	44.6	43.1	3

<i>Operating expenses adjusted for IFRS 16</i>	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Net operating expenses above	12,749	11,837	8	48,686	49,574	(2)
Add: IFRS 16 lease payments	25	-	-	107	-	-
Adjusted operating expenses	12,774	11,837	8	48,793	49,574	(2)
\$ per BOE	14.67	12.97	13	14.26	13.48	6
Net expense (% of P&NG sales)	47.1	58.1	(18)	44.7	43.1	4

Operating expenses adjusted for recoveries and lease payments were \$12,774 or \$14.67 per boe for the fourth quarter of 2019 as compared to \$11,837, or \$12.97 per boe in 2018. 8% higher expenses in the fourth quarter of 2019, coupled with a 5% reduction in volumes sold were the main contributors behind the 13% increase in expense per boe.

For the twelve months ended December 31, operating expenses adjusted for recoveries and lease payments were \$48,793 or \$14.26 per boe in 2019 as compared to \$49,574 or \$13.48 per boe in 2018. While aggregate expenses were 2% lower in 2019 as compared to 2018, the 7% reduction in sales volumes caused the expense per boe to rise by 6%.

## TRANSPORTATION

Transportation expenses were \$654 for the fourth quarter of 2019, and represented 2.4% of P&NG revenue as compared to \$498 and 2.4% for the same quarter in 2018. The cost per boe averaged \$0.75 in the fourth quarter, which was 36% higher than the same period in 2018. The increase in the aggregate expense for the fourth quarter was primarily attributable to increased rates and lower volumes per load. For the twelve months ended December 31, transportation expenses were \$1,854 for 2019 or 1% lower than \$1,864 for the comparable period in 2018. For the twelve months ended December 31, the per boe costs were \$0.54 in 2019 or 6% higher than the \$0.51 incurred in 2018. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Transportation expense	654	498	31	1,854	1,864	(1)
Expense (\$ per boe)	0.75	0.55	36	0.54	0.51	6
Expense (% of P&NG sales)	2.4	2.4	-	1.7	1.6	6

## GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Expense per financial statements	1,616	2,269	(29)	6,928	9,718	(29)
Add:						
Overhead recoveries	800	482	66	2,886	2,167	33
Capitalized G&A	132	352	(63)	519	1,271	(59)
Gross expense	2,548	3,103	(18)	10,333	13,156	(21)
<u>Expense (\$ per boe)</u>						
Expense per the financial statements	1.86	2.49	(25)	2.03	2.64	(23)
Gross expense	2.93	3.41	(14)	3.02	3.58	(16)

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
<b><i>G&amp;A adjusted for IFRS 16</i></b>						
Expense per financial statements	<b>1,616</b>	2,269	(29)	<b>6,928</b>	9,718	(29)
Add: IFRS 16 lease payments	<b>379</b>	-	-	<b>1,506</b>	-	-
Adjusted G&A (\$)	<b>1,995</b>	2,269	(12)	<b>8,434</b>	9,718	(13)
Adjusted G&A (\$/boe)	<b>2.29</b>	2.49	(8)	<b>2.47</b>	2.64	(6)

For the fourth quarter of 2019, adjusted G&A, was lower by 12% at \$1,995 as compared to \$2,269 in 2018. For the twelve months ended December 31, 2019 the expense was 13% lower at \$8,434 as compared to \$9,718 in 2018. The decrease in G&A costs was mainly attributable to the impact of the cost cutting measures surrounding an initiative to re-bid out certain administrative services, and to eliminate other redundant services. On a per boe basis, Journey realized adjusted G&A of \$2.29 for the fourth quarter of 2019, or 8% lower than the \$2.49 realized in 2018. For the twelve months ended December 31, adjusted G&A per boe was \$2.47 in 2019 or 6% lower than \$2.64 in 2018.

## FINANCE EXPENSE

Finance expenses are comprised of interest on bank debt; amortization of financing fees; and accretion on decommissioning obligations, the term debt, and right of use assets. The portion of the total finance expense related to borrowings (i.e. interest and bank fees) during the fourth quarter of 2019 decreased by 7% to \$2,253 from \$2,410 in 2018. On a per boe basis, borrowing expense was \$2.57 in the fourth quarter of 2019 as compared to \$2.65 for 2018, representing a 3% decrease period over period. The restructuring of the term debt at September 30, 2019 coupled with lower debt resulting from the equity issuance of \$7.3 million on the same day decreased the interest bearing debt throughout the fourth quarter. Consequently both aggregate and per boe interest expense were lower than the same quarter of 2018. During the fourth quarter of 2019 the average effective interest rate on borrowings was 7.6% while in 2018 it was 7.4%. The higher rate in 2019 was reflective of the higher cost of borrowing on the first tranche of term debt that was restructured on September 30, 2019.

For the comparable twelve month periods, finance expense related to borrowings for 2019 increased 9% to \$9,276 from \$8,501 in 2018. For 2019, the average interest rate on borrowings increased to 7.5% in 2019 from 6.5% in 2018. On a per boe basis, the borrowing portion of the finance expense was \$2.71 for 2019 as compared to \$2.31 for 2018, representing a 17% increase.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	Change %	2019	2018	Change %
Expense per financial statements	<b>3,094</b>	3,604	(14)	<b>13,738</b>	13,201	4
<u>Add (Deduct):</u>						
Accretion expense	<b>(860)</b>	(1,182)	(27)	<b>(4,462)</b>	(4,688)	(5)
Bank fees and other charges	<b>19</b>	(12)	258	<b>-</b>	(12)	100
Expense related to borrowings	<b>2,253</b>	2,410	(7)	<b>9,276</b>	8,501	9
<u>Expense (\$ per boe)</u>						
Related to borrowings & fees	<b>2.57</b>	2.65	(3)	<b>2.71</b>	2.31	17
Finance expense – accretion	<b>0.99</b>	1.30	(24)	<b>1.30</b>	1.27	2
Total finance expense	<b>3.56</b>	3.95	(10)	<b>4.01</b>	3.58	12

## SHARE BASED COMPENSATION

Share based compensation expense was \$526 for the fourth quarter of 2019 as compared to \$1,241 in 2018. For the twelve months ending December 31, the expense was \$2,871 for 2019, which was relatively flat with the \$2,868 experienced in 2018. During the fourth quarter of 2019, 1,302 long term incentives vested and were settled by way of treasury share issuance. In addition, 1,003 new incentives were issued in 2019 at a lower price than the issuance in the fourth quarter of 2018. Therefore, the share based compensation expense was significantly lower in the fourth quarter of 2019 as compared to 2018. The Company capitalized \$269 of share based compensation expense to property, plant and equipment in the fourth quarter of 2019 as compared to \$132 in 2018. For the twelve months ended December 31, 2019 the capitalized portion was \$387 compared to \$409 in 2018. The capitalization was attributable to technical staff directly related to exploration and development activities and is lower in 2019 due to reduced capital activity and a lower staff count. The fair value of all stock options is amortized over the respective long term incentives vesting period.

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Expense per financial statements	<b>526</b>	1,241	(58)	<b>2,871</b>	2,868	-
Expense (\$ per boe)	<b>0.60</b>	1.36	(56)	<b>0.84</b>	0.78	8

## DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D increased from \$8,423 in the fourth quarter of 2018 to \$8,535 in 2019. The increase of 1% primarily reflects the depreciation related to right of use assets in 2019 resulting from the adoption of IFRS 16 at the beginning of 2019. For the fourth quarter, and on a per boe basis, D&D was \$9.80 for 2019 as compared to \$9.23 in 2018, representing a 6% increase.

For the twelve months ending December 31, aggregate D&D increased 7% from \$33,193 in 2018 to \$35,373 in 2019. On a per boe basis D&D was \$10.34 in 2019, a 15% increase from \$9.03 in 2018.

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Depletion and depreciation (\$)	<b>8,535</b>	8,423	1	<b>35,373</b>	33,193	7
Expense (\$ per boe)	<b>9.80</b>	9.23	6	<b>10.34</b>	9.03	15

## IMPAIRMENTS

At December 31, 2019 the Company made an assessment of whether there were indicators of impairment. The assessment factored in reserves, change in commodity prices year over year, interest rates, health of the sector and the general economy, well performance and near term development plans. It was determined that indicators were present for the Herronton CGU only and as a result it was tested for impairment. It was determined that the carrying amount of the Herronton CGU had not exceeded its recoverable amount and therefore there was no impairment. Recoverable amount was calculated as the fair value of the assets less costs of disposal. The fair value less costs of disposal was determined using a discounted cash flow approach for the year-end proved plus probable reserves and using an average of three independent reserve engineer’s forecast commodity prices. Journey used a risk-adjusted discount rate to determine the fair value at the measurement date.

Journey recognized an impairment of its exploration and evaluation assets of \$1,238 in the fourth quarter of 2019 as compared to \$1,186 in 2018. Management determined that the fair value less costs of disposal of certain

undeveloped lands had declined below Journey's carrying values. Management estimated fair value by analyzing comparable Crown mineral rights sales in each of the respective CGUs.

<i>\$ 000's</i>	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
E&E impairment	<b>1,238</b>	1,186	4	<b>1,238</b>	1,186	4
<b>\$/BOE</b>						
E&E impairment	<b>1.42</b>	1.30	9	<b>0.36</b>	0.32	13

## EXPLORATION AND EVALUATION ("E&E") EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands being developed during the period. Therefore, the expense in the respective periods can fluctuate significantly as it is highly dependent on mineral rights expiries and/or drilling activities in the period. During the three months ended December 31, 2019 Journey incurred an expense of \$291 which was 61% lower than the \$744 expensed in 2018. For the twelve months ended December 31, 2019 the expense was \$1,209 as compared to \$2,057 in 2018.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
E&E expense	<b>291</b>	744	(61)	<b>1,209</b>	2,057	(41)
\$ per boe	<b>0.33</b>	0.82	(60)	<b>0.35</b>	0.56	(38)

## LOSS (GAIN) ON DISPOSAL OF ASSETS

There was one asset disposition in 2019, but it did not yield a gain or loss.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Gain on disposition	-	(212)	(100)	-	(4,064)	(100)
\$ per boe	-	(0.23)	(100)	-	(1.11)	(117)

## LOSS ON DEBT MODIFICATION

On September 30, 2019 the outstanding promissory notes were restructured into a second lien term debt financing comprised of two tranches. Before the restructuring, there were two sets of promissory notes issued, one in October of 2016 and the other in January of 2018. The 2016 notes had a principal amount of \$30 million and a maturity of October 31, 2020. These notes were restructured into a second lien tranche with a principal amount of \$22 million with \$8 million being repaid by Journey at closing. The maturity of this tranche was extended from the previous maturity date of October 31, 2020 to October 31, 2023 and the interest rate changed to 11.5% per annum from 7.65% per annum. New share purchase warrants of 1,331,617 were issued at an exercise price of \$3.15 per warrant in consideration of the change in terms. The second issuance of promissory notes (January 2018) has a principal amount of \$22 million and an interest rate of 7.65% per annum with a maturity of September 30, 2022. No changes were made to the financial terms of this tranche. The warrants previously issued with the 2018 promissory notes were voluntarily surrendered by the holder for cancellation.

As a result of the above restructuring, a loss was recognized in the amount of \$636 due primarily to the change in the fair value of the warrants previously issued.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Loss per financial statements	-	-	-	<b>636</b>	-	-
\$ per boe	-	-	-	<b>0.19</b>	-	-

## DEFERRED INCOME TAX

For the fourth quarter of 2019, there was an income tax expense of \$1,761 as compared to \$19,004 for the same period in 2018. For the twelve months ended December 31, 2019 the income tax expense was \$12,272 as compared to \$19,004 for 2018. The expense for the fourth quarter of 2019, and in turn for the year to date, was mainly attributable to the de-recognition of the tax impact related to the tax pool balances carried forward to future years in the amount of \$12,849. The de-recognition was based on Management's assessment that it was not probable that certain tax pools would be able to be utilized in future years. Offsetting the deferred tax expense in the fourth quarter of 2019 was the flow-through share premium of \$865. This amount represents the difference between the price of Journey's shares to the flow through share investors and the fair value of the shares on the date they were issued.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Deferred tax expense	<b>2,626</b>	19,004	(86)	<b>13,137</b>	19,004	(31)
Flow through share premium	<b>(865)</b>	-	-	<b>(865)</b>	-	-
Total income tax expense	<b>1,761</b>	19,004	(91)	<b>12,272</b>	19,004	(35)
(\$ per boe)	<b>2.02</b>	20.82	(90)	<b>3.59</b>	5.17	(31)

Journey has available \$718,808 in income tax deductible pools for future utilization should the company generate sufficient taxable income. Given Journey's significant tax pools and projected capital spending profiles the Company does not expect to be cash taxable into the foreseeable future. The income tax pool balances, by category, at the end of 2019 (before any de-recognition), were as follows:

Tax Pool	Deductible rate	Amount
Canadian oil & gas property expenses	10% declining balance	118,001
Canadian development expenses	30% declining balance	120,151
Canadian exploration expenses	100%	47,535
Undepreciated capital costs	7-100% declining balance	83,612
Financing costs	5 year straight line	388
Non-capital losses	100%	349,121
<b>Total</b>		<b>718,808</b>

On September 30, 2019 the Company issued 2,791 flow-through shares for gross proceeds of \$7,256. Under the terms of the flow-through share subscription agreements, the Company was obligated to renounce qualifying income tax expenditures to the subscribers for the gross amount of the proceeds before the end of March, 2020. Qualifying expenditures are defined as eligible Canadian Development Expenses under the Income Tax Act. Journey fulfilled its entire spending commitment by December 31, 2019 and renounced all tax expenditures effective on that date. Journey recognized an income tax expense for the tax benefits renounced to the investors in its financial statements for 2019.

## NETBACKS

The operating netback of \$11.42 per boe for the fourth quarter of 2019 increased 95% from \$5.87 for the same period in 2018. The increase in the fourth quarter 2019 operating netback was mainly attributable to the 83% increase in realized oil prices, which in turn was a significant contributor to a 40% increase in average corporate commodity prices. For the twelve months of 2019 the operating netback of \$13.09/boe was flat with the \$13.11 per boe in 2018.

The funds flow netback per boe for the fourth quarter of 2019 was \$6.78/boe compared to the \$(0.05)/boe in 2018. Oil prices in the fourth quarter of 2018 suffered from widening differentials to historic lows and contributed significantly to the negative funds flow in that quarter. Journey achieved 8% lower G&A costs through head office cost efficiencies; 3% lower interest costs from lower debt outstanding and a realized hedging gain of \$0.22/boe during the fourth quarter. All of these contributed to the turnaround in funds flow netback from a negative \$0.05/boe in 2018 to \$6.76/boe in 2019. For the twelve month periods, the funds flow netback was 57% higher at \$7.84/boe in 2019 from \$4.98/boe in 2018.

In the non-cash category of the netback table there were several significant items that impacted the net loss for the fourth quarter. All expenses (except DD&A) were lower in 2019 as compared to 2018, while DD&A was higher by 6%. This resulted in a \$8.78/boe loss in the fourth quarter of 2019 as compared to a loss of \$17.73 in 2018. The two items that impacted the fourth quarter, 2019 results the most were the reversal of the unrealized hedging gains in 2018 to a loss in 2019, and the 90% lower deferred income tax expense in 2019 as compared to 2018.

For the year to date in 2019, Journey realized a loss of \$9.16 per boe, which was 10% lower than the loss of \$10.17 per boe in 2018. The decrease in the loss was led by the improvement in the funds flow netback by 57% at \$7.84/boe. The non-cash components of the net loss in 2019 were generally lower, with the largest change being the movement in the unrealized gain on hedges in 2018 to a loss in 2019.

Netback (\$ per boe)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
<b>Realized price</b>	<b>31.17</b>	22.34	40	<b>31.92</b>	31.28	2
Royalties	(4.33)	(2.95)	47	(4.03)	(4.18)	(4)
Adjusted operating expense	(14.67)	(12.97)	13	(14.26)	(13.48)	6
Transportation	(0.75)	(0.55)	36	(0.54)	(0.51)	6
<b>Operating</b>	<b>11.42</b>	5.87	95	<b>13.09</b>	13.11	-
Adjusted G&A	(2.29)	(2.49)	(8)	(2.47)	(2.64)	(6)
Finance – interest	(2.57)	(2.65)	(3)	(2.71)	(2.31)	17
Realized hedging gain (loss)	0.22	(0.78)	(128)	(0.07)	(3.18)	(98)
<b>Funds flow</b>	<b>6.78</b>	(0.05)	13,660	<b>7.84</b>	4.98	57
Unrealized hedging gain (loss)	(0.86)	16.93	(105)	(0.49)	0.92	(153)
Share based compensation	(0.60)	(1.36)	(56)	(0.84)	(0.78)	8
Depletion and depreciation	(9.80)	(9.23)	6	(10.34)	(9.03)	15
Accretion	(0.99)	(1.30)	(24)	(1.30)	(1.27)	2
Gain (loss)	-	0.23	(100)	(0.19)	1.11	(117)
Exploration & evaluation	(0.33)	(0.82)	(60)	(0.35)	(0.56)	(38)
Impairments	(1.42)	(1.30)	9	(0.36)	(0.32)	13
Transaction costs	-	(0.03)	(100)	(0.01)	(0.05)	(80)
Deferred tax expense	(2.02)	(20.82)	(90)	(3.59)	(5.17)	(31)
Lease payments (IFRS 16)	0.46	-	-	0.47	-	-
<b>Net loss</b>	<b>(8.78)</b>	(17.75)	(51)	<b>(9.16)</b>	(10.17)	(10)

## FUNDS FLOW, CASH FLOW AND NET LOSS

There was a loss of \$7,654 in the fourth quarter of 2019 as compared to a loss of \$16,180 in 2018. The loss in 2019 was mainly caused by lower revenues resulting from lower production volumes and a large deferred tax expense. For the twelve month periods, the net loss was \$31,355 in 2019 as compared with a loss of \$37,447 in 2018. The reductions in both the deferred tax expense and hedging losses from 2018 to 2019 were the most significant contributors to the large reduction in the loss year over year. During the fourth quarter of 2019, Journey realized a net loss per basic and diluted share of \$0.18 compared to \$0.41, basic and diluted in 2018. The net loss per share for the twelve months of 2019 was \$0.78 per basic and diluted share as compared to \$0.94 per basic and diluted shares in 2018.

Funds flow from operations during the fourth quarter of 2019 was \$5,905 as compared to negative \$42 in 2018. Oil prices recovered from the historic lows experienced in the fourth quarter of 2018 and this helped offset the impact of the production declines. For the twelve months ended December 31, funds flow from operations increased 47% to \$26,805 in 2019 from \$18,293 in 2018. While production volumes decreased 7% year over year, average realized prices increased by 2%. In addition, the large realized hedging loss of \$11,693 in 2018 decreased to a much smaller loss of \$253 in 2019.

Cash flow provided by operating activities ("Cash Flow") is the GAAP financial statement measure which represents how much cash was generated by Journey's business operations. Cash flow was \$11,634 for the fourth quarter of 2019 versus \$(4,638) in the same quarter of 2018. For the year to date, Cash Flow was \$27,748 or 80% higher than the \$15,415 in 2018.

Fourth quarter funds flow per share in 2018 was \$0.14 per basic and \$0.13 per diluted share. For the twelve months ended December 31, funds flow per share in 2018 was \$0.67 per basic and \$0.64 per diluted share in 2018.

Per share data	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Net loss	<b>(7,654)</b>	(16,180)	(53)	<b>(31,355)</b>	(37,447)	(16)
Basic (\$/share)	<b>(0.18)</b>	(0.41)	(56)	<b>(0.78)</b>	(0.94)	(17)
Diluted (\$/share)	<b>(0.18)</b>	(0.41)	(56)	<b>(0.78)</b>	(0.94)	(17)
Funds flow	<b>5,905</b>	(42)	14,160	<b>26,805</b>	18,293	47
Basic (\$/share)	<b>0.14</b>	-	-	<b>0.67</b>	0.46	46
Diluted (\$/share)	<b>0.13</b>	-	-	<b>0.64</b>	0.45	42
Cash flow from operations	<b>11,684</b>	(4,638)	(352)	<b>27,748</b>	15,415	80
Basic (\$/share)	<b>0.27</b>	(0.12)	(329)	<b>0.69</b>	0.39	77
Diluted (\$/share)	<b>0.26</b>	(0.11)	(331)	<b>0.67</b>	0.38	76

## CAPITAL EXPENDITURES

Journey spent \$9,331 on its capital expenditure program during the fourth quarter of 2019 representing an increase of 848% from \$984 in 2018. The fourth quarter, 2019 capital program was predominantly devoted towards drilling, completing and tying-in 4 (4.0 net) wells in Matziwin. Total net capital additions for the full year of 2019 were \$20,531 as compared to \$26,644 in 2018. Throughout 2019, the majority of the capital was spent drilling and completing 7 (7.0 net) wells.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
<b>Cash expenditures:</b>						
Land acquisitions and lease rentals	219	51	329	961	3,972	(76)
Geological and geophysical	10	6	67	170	205	(17)
Drilling and completions	6,896	(616)	(1,219)	12,278	16,303	(25)
Well equipment and facilities	2,074	1,196	73	6,849	9,986	(31)
Capitalized G&A	132	352	(63)	519	1,271	(59)
Exploration and development	9,331	989	843	20,777	31,737	(35)
Other expenditures	-	(5)	(100)	12	37	(68)
Total capital expenditures	9,331	984	848	20,789	31,774	(35)
PP&E acquisitions	-	141	(100)	227	164	39
PP&E dispositions	-	-	-	(485)	(5,122)	(91)
Acquisition of E&E assets	-	-	-	-	(172)	(100)
Net capital expenditures	9,331	1,125	729	20,531	26,644	(23)
<b>Other cash expenditures:</b>						
Capitalized SBC	269	133	102	387	409	(5)
Decommissioning costs	1,313	189	595	2,236	1,288	74
Total capital expenditures	10,913	1,447	654	23,154	28,341	(18)

Journey drilled 4 (4.0 net) wells in the fourth quarter of 2019. All four wells were successful and were placed on-production at the end of November. For the entire year the Company drilled 7 (7.0 net) wells and were all drilled in the Matziwin area.

	Three months ended December 31,				Twelve months ended December 31,			
	2019		2018		2019		2018	
<b>Wells drilled</b>	<b>Gross</b>	<b>Net</b>	Gross	Net	Gross	Net	Gross	Net
Development wells	4	4.0	-	-	7	7.0	8	8.0
Stratigraphic wells	-	-	-	-	-	-	1	1.0
Total wells	-	-	-	-	7	7.0	9	9.0
Success rate (%)	100	100	-	-	100	100	100	100

## DECOMMISSIONING LIABILITIES (“DL”)

At December 31, 2019, Journey recorded a DL of \$166,478 (\$181,849 at December 31, 2018) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; and the time frame in which such costs will be incurred. The present value of the future liability at December 31, 2019 has been discounted using a real rate of 0.4%, which is comprised of a risk-free discount rate of 1.8% less an assumed inflation rate of 1.4%. For 2018 Journey inflated the estimated costs at 2.0% and then discounted them using a risk-free rate of 2.1%.

Journey recorded accretion charges of \$741 for the most recent three month period in 2019 and \$3,421 for the twelve month period in 2019 as compared to \$976 and \$3,919 respectively in 2018. Accretion reflects the increase in the DL from the discounted amount to the full amount of the DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the three months ended December 31, 2019 was \$1,313 while the amount for the twelve month period was \$2,236. This compares to \$189 and \$1,288 for the three and twelve month periods in 2018.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for

all of Journey's assets are funded entirely out of Funds Flow from operating activities. Journey's Liability Management Rating is within the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required as at December 31, 2019 and at the date of this MD&A.

## **LEASE OBLIGATION LIABILITIES ("LO")**

On January 1, 2019, Journey adopted IFRS 16 which introduces a single method of accounting for leases and effectively brings future lease obligations onto the balance sheet. Effective January 1, 2019, the Company recognized lease obligation liabilities, at their present value of the remaining lease payments and then discounted using the Company's incremental borrowing rate as of January 1, 2019. At the same time, Journey also recognized an equivalent amount for right-of-use ("ROU") assets that are included in property, plant and equipment. The recognized ROU assets and lease obligations are primarily related to Journey's head office lease. Under IFRS 16, instead of recognizing the cash lease payments in G&A and operating expense, there will be depreciation on the ROU asset and accretion on the liability due to the passage of time.

The initial lease obligations recognized at January 1, 2019 were \$6,919. At December 31, 2019, Journey's discounted lease obligations were \$5,781. The future liability has been discounted at an interest rate that approximates Journey's incremental cost of borrowing. The discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of \$82 and \$355 for the three and twelve month periods ended December 31, 2019 have been recognized in the statements of comprehensive net income (loss) to reflect the increase in LO associated with the passage of time. Expenditures for the LO for the three and twelve months ended December 31, 2019 were \$404 and \$1,613 respectively.

Due to the adoption of the Modified Retrospective approach for Lease Obligation Liabilities, there were no changes to the comparative amounts recorded for years prior to 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

At December 31, 2019, bank debt outstanding on the Company's lines of credit were \$68.9 million. The maximum amount available on lines of credit at December 31, 2019 was \$79 million, reducing to \$75 million by April 2020. The credit facility matures on October 31, 2020 and if not extended by the lenders amounts drawn on the facilities are due in full on the maturity date. In addition, the facility is subject to semi-annual reviews of the borrowing base, with the next review scheduled to occur in April of 2020. The available amount under the lines of credit are dependent on the lenders determination of the borrowing base which is based predominately on the amount of the Company's proved, producing oil and natural gas reserves. The current state of the Canadian energy industry coupled with continued declines in commodity prices has negatively impacted the available amount of the credit facilities. There is a material uncertainty related to Company's ability to maintain the credit facilities at levels that support the ongoing operations of the Company.

Considerable actions have been taken to maintain the Company's liquidity including refinancing the term notes and extending certain maturity dates; issuing common shares in September of 2019 for net proceeds of \$7,256; reducing the capital program to align with available cash resources and continuing a commodity hedging program for a portion of the Company's production. Management has been successful in raising equity and maintaining the borrowing base of the credit facilities at levels in excess of the amounts drawn. Management will continue to focus on reducing debt levels and managing the capital and asset abandonment program at a level that coincides with available resources. However, there are no assurances that the lenders will continue to extend the lines of credit or maintain the borrowing base at current levels.

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

Corporate working capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. For the three months ended December 31, 2019, the Company funded its \$9,333 in net capital additions primarily from the flow through share issuance of \$7,256 on September 30, 2019 but also from cash flow from operations, and bank debt.

As at December 31, 2019 bank debt outstanding was \$68,900, of the total available credit facilities of \$79,000. The credit facility is comprised of a working capital facility of \$15,000 as well as a production facility of \$64,000. The production facility reduces by \$1,000 per month until it reaches \$75,000 at April 30, 2020.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the banks. The amount of available credit is based primarily upon the value of petroleum and natural gas assets. The most recent formal evaluation by our external engineers determined the reserve values as at December 31, 2019. The annual review of the credit facility is expected to be concluded by April 30, 2020.

On September 30, 2019 the outstanding promissory notes were restructured into a second lien term debt financing comprised of two tranches. Before the restructuring, there were two sets of promissory notes issued, one from October of 2016 and the other from January of 2018. The 2016 notes had a principal amount of \$30 million and a maturity of October 31, 2020. These notes were restructured into a second lien tranche with a principal amount of \$22 million with \$8 million being repaid by Journey at closing. The maturity of this tranche was extended from the previous maturity date of October 31, 2020 to October 31, 2023 and the interest rate changed to 11.5% per annum from 7.65% per annum. New share purchase warrants of 1,331,617 were issued at an exercise price of \$3.15 per warrant in consideration of the change in terms. The second issuance of promissory notes (January 2018) had a principal amount of \$22 million and an interest rate of 7.65% per annum with a maturity of September 30, 2023. No changes were made to the financial terms of this tranche. The warrants previously issued with the 2018 promissory notes were voluntarily surrendered by the holder for cancellation.

Net Debt of the Corporation at December 31, 2019 was \$124,213. This amount was comprised of negative working capital of \$80,213 (current assets minus current liabilities minus but excluding derivative contracts) plus the principal amount of the second lien term debt of \$44,000. Working capital deficiencies are dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues and any proceeds from the disposition of assets. Working capital deficiencies are normal in the industry and vary widely from company to company based on their specific funds flow and spending patterns. With the recent renewal of the credit facility in December of 2019 the maturity date of the syndicated bank debt has been extended until October 31, 2020.

## RELATED PARTY TRANSACTIONS

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

	<b>2019</b>	2018
Salaries and fees	<b>1,167</b>	1,249
Short-term employee benefits	<b>538</b>	575
Share based payments (i)	<b>1,154</b>	1,025
<b>Total</b>	<b>2,859</b>	2,849

- (i) These amounts represent the amortization of share based compensation associated with the Company's share based compensation plans.
- (ii) As at December 31, 2019 there were ten (2018 – nine) individuals that were considered key management personnel.
- (iii) At December 31, 2019 there is a \$3,417 commitment (2018 - \$2,185) relating to a change of control or termination of employment for key management personnel.

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

## CONTRACTUAL OBLIGATIONS

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

### (a) Transportation and office lease costs

The Company has committed to firm-service contracts for the transportation of its natural gas. In addition, the Company has committed to future minimum payments under an operating lease that covers the rental of office space and a proportionate share of operating costs. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts:

	<b>Total</b>	<b>&lt; 1 year</b>	<b>1 -3 years</b>	<b>4 – 5 years</b>
Bank debt	<b>68,900</b>	68,900	-	-
Term debt	<b>44,000</b>	-	44,000	-
Natural gas transportation	<b>760</b>	585	175	-
Operating leases	<b>9,602</b>	2,328	6,893	381
<b>Total</b>	<b>123,262</b>	71,813	51,068	381

### (b) Indemnifications

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

## OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

## SHARE CAPITAL

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

	March 9, 2020	December 31, 2019	December 31, 2018
Common shares outstanding	43,087	43,087	39,218
Warrants and long-term incentives	5,087	5,087	6,789
Fully diluted shares	48,174	48,174	46,007

For purposes of the above fully diluted numbers, the performance share awards have been assigned a multiplier of one times.

<i>Weighted average</i>	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Basic	42,910	39,043	10	40,172	39,819	1
Diluted	44,579	40,799	9	41,637	40,705	2

In 2019 1,003 RSU's and PSU's were issued; 24 stock options were exercised; 122 stock options expired and 1,360 RSU's and PSU's vested. The performance share units included in the fully diluted number in the above table assumes a multiplier of one (1) times for their potential conversion into common shares upon vesting.

## SELECTED QUARTERLY INFORMATION

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

	Dec. 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar. 31, 2019
Production (boe/d)	9,463	9,445	9,248	9,330
Average prices realized (\$/boe, excluding hedging)	31.17	30.10	32.56	33.94
Petroleum and natural gas sales	27,134	26,158	27,400	28,498
Net loss	(7,654)	(7,055)	(12,559)	(4,087)
Basic – per share (\$/share)	(0.18)	(0.18)	(0.32)	(0.10)
Diluted – per share (\$/share)	(0.18)	(0.18)	(0.32)	(0.10)
Funds flow	5,905	6,020	7,158	7,722
Basic – per share (\$/share)	0.14	0.15	0.18	0.20
Diluted – per share (\$/share)	0.13	0.14	0.17	0.19
Cash flow from operations	11,684	4,279	5,472	6,313
Total assets	344,989	416,667	406,974	410,018
Net capital expenditures	9,331	2,427	7,813	960
Long term financial liabilities	212,024	283,856	366,156	331,280
Net debt	124,213	118,238	128,451	127,769

	Dec. 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Production (boe/d)	9,921	10,227	10,036	10,117
Average prices realized (\$/boe)	22.34	36.17	34.69	31.78
Petroleum and natural gas sales	20,390	34,032	31,685	28,934
Net income (loss)	(16,180)	202	(12,325)	(9,144)
Basic – per share (\$/share)	(0.41)	0.01	(0.32)	(0.21)
Diluted – per share (\$/share)	(0.41)	0.01	(0.32)	(0.21)
Funds flow from operations	(42)	7,890	5,305	5,140
Basic – per share (\$/share)	-	0.20	0.14	0.12
Diluted – per share (\$/share)	-	0.20	0.13	0.12
Cash flow from operations	(4,638)	10,631	26	9,396
Total assets	380,724	405,989	409,094	413,802
Net capital expenditures	1,125	9,647	7,499	8,373
Long term financial liabilities	304,062	214,354	225,331	224,600
Net debt	134,635	118,238	130,606	128,215

Petroleum and natural gas sales are impacted by production levels and volatile commodity pricing. Production levels are impacted by decline rates and the Company's capital program. Commodity prices are affected by both domestic and international factors that are beyond the Company's control. Petroleum and natural gas sales are impacted by production levels and the volatility of commodity pricing. In addition, royalties are affected by the underlying commodity pricing.

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

- During the fourth quarter of 2019 production volumes averaged 9,463 (51% natural gas) which was flat with the third quarter. Realized prices increased 4% from the third quarter to average \$31.17/boe in the fourth quarter. This increase was led by a 107% increase in natural gas prices, 5% decline in oil prices and a 34% increase in NGL prices. Total capital spending of \$10,913 was primarily devoted to drilling, completing and tying-in 4 (4.0 net) wells in Matziwin as well as \$1,313 of decommissioning costs.
- During the third quarter of 2019 production volumes averaged 9,445 (51% natural gas) which was a 2% increase from the second quarter. Realized prices decreased 8% from the second quarter to average \$30.10/boe in the third quarter. This decline was led by a 25% decline in natural gas prices, 9% decline in oil prices and a 17% decline in NGL prices. Capital spending was primarily devoted to optimizations and abandonment costs.
- During the second quarter of 2019 production volumes averaged 9,248 (53% natural gas) which was a 1% decline from the first quarter. Realized prices decreased 4% from the first quarter to average \$32.56/boe. This decline was led by a 55% decline in natural gas prices from the first quarter. Capital spending was primarily devoted to drilling 3 (3.0 net) wells in Matziwin. The two "earning" wells under Journey's Duvernay joint venture were placed on-production in the quarter with Journey having a 3.75% royalty on the production from these wells.
- Alberta benchmark oil prices rebounded in the first quarter of 2019 to average \$66.92/bbl as compared to \$48.27/bbl in the fourth quarter of 2018. The Alberta Government production curtailment initiative was instrumental in reversing the inordinately low oil prices experienced in the fourth quarter of 2018. The low oil prices caused Journey to experience a small negative funds flow of \$46 in the fourth quarter, however this was reversed into a positive amount of \$7,722 during the first quarter of 2019. Capital was limited to necessary expenditures as only \$960 was spent during the quarter, with no wells being drilled. As a result of no new wells being drilled, production volumes declined to 9,330 boe/d as compared to 9,921 boe/d in the fourth quarter of 2018. Journey exited the first quarter with \$128 million of net debt. Journey's anticipated entry back into its drilling program will occur in May of 2019.
- During the fourth quarter of 2018 production volumes averaged 9,921 (54% natural gas). Realized prices decreased 38% to average \$22.34/boe. This decline was led by the decrease in oil prices by 54% from the third quarter resulting from historic WTI/Canadian par differentials. Realized natural gas prices helped

offset some of the negative oil price impact with a 48% increase from the third quarter and mainly attributable to the price diversification strategy Journey employed into the US markets. Capital spending was maintenance only as Journey spent \$1,126. Due to the uncertainty surrounding oil price direction, Journey did not drill any new wells in the fourth quarter. The Alberta Government imposed production restrictions on producers that will become effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month and in November. These did not impact Journey's production Journey entered into a farm out with an industry partner to develop its 140 sections of Duvernay, oil- prospective lands. Drilling by this partner commenced with two wells spud in December.

- In the third quarter of 2018 Journey had production volumes of 10,227 boe/d (52% natural gas). Realized prices improved to an average of \$36.17/boe in the third quarter compared to \$34.69 in the second quarter. The increase in average prices were led primarily by a 45% increase in realized natural gas prices, while oil prices and NGL prices declined 3% and 17% respectively. Natural gas prices are adjusting to seasonal averages in the third quarter but continue to be challenged by egress issues despite the previous cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 3 (3.0 net) wells in Skiff during the quarter. One well was placed on production during the third quarter and two will carry over into the fourth quarter. \$9,986 was spent on exploration and development while the Company had net dispositions of \$342 in the quarter. Hedging losses were the largest drag on both Funds Flow and net income as they amounted to \$4,903 of realized losses and \$2,314 of unrealized gains for a net hedging loss of \$2,589 during the quarter.
- In the second quarter of 2018 Journey had production volumes of 10,036 boe/d (53% natural gas). Realized prices improved to an average of \$34.69/boe led primarily with a 22% increase in realized oil prices from the first quarter. Natural gas prices continue to be challenged as corporate realized prices of \$1.11/mcf were 42% lower than the first quarter despite a cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 4 (4.0 net) wells in the quarter. All of these wells will be placed on-production in the third quarter. \$10,283 was spent on exploration and development while the Company had net dispositions of \$2,801 of minor, non-core assets in the quarter. Hedging losses were a drag on both Funds Flow and net income as they amounted to \$3,976 of realized losses and \$8,298 of unrealized losses in the quarter.
- On February 2, 2018 Journey bought 12,700 of its common shares from a significant shareholder for cancellation for a cost of \$21,336 (\$1.68 per share). The repurchase was funded with the issuance of \$22,000 of term debt. In the first quarter of 2018 production averaged 10,117 boe/d (53% natural gas) compared to 10,521 boe/d (54% natural gas). Realized prices before hedging averaged \$31.78/boe as compared to \$31.32/boe in the fourth quarter of 2017. Journey spent \$8,373 in capital during the quarter which included land acquisitions and drilling 2 (2.0 net) wells in the Matziwin area.
- During the fourth quarter of 2017 production volumes were 10,521 boe/d (54% natural gas) compared to third quarter volumes of 10,088 (55% natural gas). Journey spent \$11,328 in the quarter which included drilling 2 (2.0 net) wells. All three were placed on production at various times during the quarter. Average commodity prices were higher in the fourth quarter at \$31.32/boe as compared to \$25.29/boe in the third quarter. Natural gas prices continued to stay low and averaged \$1.49/mcf during the quarter as compared to \$1.32/mcf in the third quarter. Funds Flow was \$9,829 in the fourth quarter as compared to \$4,843 in the third quarter. During the fourth quarter the Company de-recognized \$104,115 in deferred tax assets as the decline in forward-looking natural gas prices caused Management to re-evaluate the probability of using their large tax pool position. In addition, Journey had net impairments of \$39,599 for PP&E and E&E assets in the quarter attributable to the lower natural gas prices in the independent reserve engineers report at December 31, 2017.

## SELECTED ANNUAL INFORMATION

	December 31, 2019	December 31, 2018	December 31, 2017
Petroleum and natural gas sales	109,190	115,041	110,085
Net loss	(31,355)	(37,447)	(133,021)
Basic – per share (\$/share)	(0.78)	(0.94)	(2.69)
Diluted – per share (\$/share)	(0.78)	(0.94)	(2.69)
Total assets	344,990	380,724	416,983
Total non-current liabilities	212,024	228,604	177,046

Journey's aggregate P&NG sales in 2019 of \$109,190 were 5% lower than \$115,041 in 2018. This decrease was attributable to a 7% decrease in production volumes, but offset partially by a 2% increase in average commodity prices. The net loss of \$37,447 in 2018 was reduced to a loss of \$31,355 in 2019. The reduction was primarily the reduction in the income tax expense of \$19,004 in 2018 to \$12,272 in 2019. Total assets in 2019 decreased due to depletion and amortization expense being greater than asset additions during the year as well as the additional de-recognition of income tax pools during the year. The decrease in total non-current liabilities during 2019 was attributable to the combination of: the reduction of net debt resulting from capital expenditures being less than funds flow; the \$7.3 million in equity issued during the year and the reduction in decommissioning liabilities resulting from an increase in the real interest rate used to discount the liabilities.

## CHANGES IN ACCOUNTING POLICIES

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively, treating all leases as finance leases. Short-term leases of less than 12 months and leases of low value assets are exempt from the requirements and can continue to be treated as operating leases. Lessors will continue with the dual classification and that classification will determine how and when lease revenue will be recognized and what assets will be recorded. IFRS 16 was effective for years beginning on or after January 1, 2019.

Journey adopted the standard on the effective date of January 1, 2019 and has selected the modified retrospective approach to implement the new standard. The Company has also elected to exempt short-term leases and leases of low value assets. Journey conducted an examination of our lease contracts that are significant in nature and therefore not exempt. On adoption, the Company recognized lease liabilities in relation to leases under principles of the new standard measured at the present value of the remaining lease payments discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as of January 1, 2019.

Adoption of the new standard resulted in the recognition of additional lease liabilities and right of use ("ROU") assets of \$6,919 and \$6,609, respectively. Management has identified ROU assets and lease liabilities primarily related to office space. The impact on the consolidated statement of earnings will be lower general and administrative expenses, higher finance expenses due to interest recognized on the lease obligations and higher depreciation expense related to the ROU assets.

## CRITICAL ACCOUNTING ESTIMATES

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2019 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2019 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements.

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

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

#### Accounts receivable

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

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible and practical, the Company requires cash calls from its partners on capital projects before they commence. Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery.

#### Derivatives

The fair value of derivative contracts are based on published market prices as at the balance sheet date and may differ from what will eventually be realized. During the period of the contracts, changes in the fair value of the derivative contracts are recognized in statement of comprehensive income (loss). The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices which are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

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

## Oil and gas reserves

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

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

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

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

## Depletion and depreciation

Depletion of oil and gas properties is provided using the unit-of-production method and is based on production volumes (before royalties) in relation to total estimated proved and probable reserves as determined by internal reserve evaluations for the first three quarters of the year and then at year-end by the Company's independent engineers. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion of oil and gas properties including production equipment and facilities are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated salvage value of production equipment and facilities after the reserves are fully produced. Exploration and evaluation costs are excluded from depletion calculations.

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

These factors could include:

- Changes in proved and probable reserves.
- Changes in estimates of future development costs.

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

#### Exploration and evaluation (“E&E”) assets

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

#### Impairment/Recoveries

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

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

#### CGU definition

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

#### Recoverable amounts of CGUs

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

Both VIU and FVLCOD estimates include the estimated reserves values in their determination. The key assumptions and estimates of the value of oil and gas reserves and the existing and potential markets for the Company’s oil and gas assets are made at the time of reserves estimation and market assessment and are subject to change as new

information becomes available. Changes in international and regional factors, including supply and demand of commodities, inventory levels, drilling activity, currency exchange rates, weather, geopolitical and general economic factors, may result in significant changes to the estimated recoverable amounts of CGUs.

#### Decommissioning costs

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

#### Share based compensation

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

#### Income taxes

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

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

## **RISK FACTORS AND RISK MANAGEMENT**

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

### Commodity Price Risk

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

The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favour. Journey mitigates these risks by entering mainly into collar transactions that give acceptable ranges of prices and furthermore by dealing with its chartered banks as the primary counterparty.

### Foreign Exchange Risk

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

### Credit Risk

Credit risk arises from the potential loss resulting from a counterparty failing to meet its obligations in accordance with the agreed terms. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. On a regular basis, the Company assesses the potential for bad debts associated with these parties and provides for accordingly.

Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25<sup>th</sup> day of the month following delivery.

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

#### Credit Facility Risk

The Company currently has a revolving bank credit facility of \$77,000 (\$79,000 at December 31, 2019), which will reduce to \$75,000 at April 30, 2020. The facility is a 365 day revolving facility from a syndicate of lenders with a term-out date of April 30, 2020. Upon Journey's request each year, the credit facility is renewed for another year. Should the request not be approved by the banks, the entire amount of the debt will mature and be due and payable one year from the then term out date. There is a risk that the facility may not be renewed for the same amount or under the same or similar terms to what currently exists. The credit facilities are secured by a \$500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are also subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. Journey is subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all such covenants as at December 31, 2019. The credit facility contains customary restrictions on the disposition of assets and the granting of security, as well as on the making of distributions if there is a default under the facility.

#### Access to Capital Markets

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

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

#### Interest Rate Risk

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

#### The maturing Western Canadian Sedimentary Basin

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

#### Increasing United States Oil and Natural Gas Supply

Over the last several years, the advent of multi-stage fracking has unlocked previously uneconomic oil and natural gas supplies that are readily available in the United States. The Marcellus, Haynesville, and Eagle Ford shale gas

plays in the Eastern United States and the Bakken in North Dakota have created a supply within the major consuming regions of the United States. This has caused a reduction in demand from Western Canada and this could possibly continue for many years to come. As a result, the Company has shifted capital to oil targets on its existing lands and will continue to do so into the foreseeable future.

#### Operating and finding and development costs are decreasing each year

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

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

#### Administrative Risks

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

#### Competition

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

#### Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may

require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than two-to-one, may be required to post deposits with the AER. Journey's rating is above this limit and does not expect to post any such deposits in the foreseeable future.

### **DISCLOSURE CONTROLS AND PROCEDURES**

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings or other reports are being prepared, and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P at December 31, 2019. Based on that evaluation, the CEO and CFO have concluded that the Company's DC&P are effective at the financial year end of the Company for the foregoing purposes.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the financial year end December 31, 2019, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Management of Journey, including the CEO and CFO, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2019. Based on that evaluation, the CEO and CFO have concluded that the ICFR are effective as of the end of the year, in all material respects.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the fourth quarter of 2019.

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

The December 31, 2019 audited consolidated financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as the Company's website at [www.journeyenergy.ca](http://www.journeyenergy.ca).