MANAGEMENT'S DISCUSSION AND ANALYSIS – 2020

The following Management's Discussion and Analysis ("MD&A") was prepared on March 9, 2021 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, 2020 and 2019. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 31, 2020 and 2019 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, the COVID-19 pandemic and the impact on the worldwide economy, risks associated with the oil and gas industry in

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

Non-GAAP Measures

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

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

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

The reconciliation of 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,		
	2020	2019	% Change	**2020**	2019	% Change
Cash flow generated by operating activities	**2,909**	11,684	(75)	**11,605**	27,748	(58)
Add (deduct):						
Changes in non-cash working capital	**1,129**	(6,689)	(117)	**(545)**	(1,593)	(66)
Amortization of deferred financing costs	**1,912**	-	-	**1,912**	-	-
Transaction costs	**21**	1	2,000	**23**	27	(15)
Decommissioning costs incurred	**69**	1,313	(95)	**480**	2,236	(79)
Funds Flow	**6,040**	6,309	(4)	**13,475**	28,418	(53)

Net debt is used to assess the capital 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, 2020	December 31, 2019	% Change
Principal amount of term debt	**89,664**	44,000	104
Principal amount of bank indebtedness	**-**	68,900	(100)
Accounts payable and accrued liabilities	**16,198**	27,715	(42)
Other liabilities	**1,943**	-	-
Deduct:			
Cash	**(6,590)**	-	-
Accounts receivable	**(9,285)**	(15,193)	(39)
Prepaid expenses	**(1,575)**	(1,209)	30
Net debt	**90,355**	124,213	(27)

Abbreviations and Advisories

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

AIMCo	*Alberta Investment Management Corporation*
bbl	*barrel*
bbls	*barrels*
boe	*barrels of oil equivalent*
boe/d	*barrels of oil equivalent per day*
gj	*gigajoules*
IFRS	*International Financial Reporting Standards*
Mbbls	*thousand barrels*
MMBtu	*million British thermal units*
Mboe	*thousand boe*
Mcf	*thousand cubic feet*
Mmcf	*million cubic feet*
Mmcf/d	*million cubic feet per day*
MSW	*Mixed sweet Alberta benchmark oil price*

NGL's	*natural gas liquids*
WCS	*Western Canada Select benchmark oil price*
WTI	*West Texas Intermediate benchmark Oil price*

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

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

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

Amounts

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

HIGHLIGHTS FROM THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2020

Financial

Journey recorded Funds Flow of $6,040 in the third quarter of 2020, which was 4% lower than the $6,311 realized in the same quarter of 2019. Oil prices recovered from their historic lows at the onset of the pandemic in March and April but were still 26% lower than the same quarter of 2019. The ravages the COVID-19 pandemic had on worldwide consumption were not overcome by the end of 2020 as many countries were still in lockdown and worldwide transportation and hence consumption had not recovered to pre-pandemic levels. However, natural gas pricing improved by 48% from the fourth quarter of 2019 to the same quarter in 2020. The average realized oil prices for Journey were $42.46/bbl in the fourth quarter of 2020, which was very close to the $42.36 in the third quarter of 2020. Cash flow from operating activities was $39,733 in the fourth quarter as compared to $4,749 in the third quarter of 2020. The most significant event for the Company in 2020 was the settlement of all outstanding bank debt of $75 million for $38 million, which occurred on October 30. This was the single largest contributor to cash flows in the quarter. The debt settlement has reset the Company's balance sheet and mitigated the immediate concerns over repaying the bank debt. As a result, Journey exited the fourth quarter with net debt of $90,355, which was 28% lower than the $124,644 at the end of the third quarter of 2020.

Capital spending

With the uncertain duration and impact of the pandemic, the Company conserved its capital resources and spent only $817 during the fourth quarter. These costs were mainly attributable to bringing the Company's power generation project in Countess on-line. Power generation commenced on September 29. Journey used October and November to resolve any start-up issues as it prepared for the usual power price spikes during the colder winter months.

Production

Production decreased 3% in the fourth quarter of 2020 to average 8,074 boe/d versus 8,311 boe/d in the third quarter of 2020. Volumes were 15% lower in the comparable quarter in 2019, which was 9,463 boe/d. The decrease in production was mainly the result of natural declines as no new wells were drilled during 2020. In addition, in early April the Company took steps to shut-in uneconomic oil production as WTI oil prices dropped significantly. By July through early August most of the production was brought back on-line.

Liquidity

The COVID-19 pandemic caused turmoil with the liquidity of many oil and natural gas producers in 2020. Journey implemented a plan on October 30 to purchase the existing bank debt of $75 million from its syndicate of lenders. Journey's largest shareholder, AIMCo, advanced the Company $38 million to purchase all of the syndicated bank debt. A full description of the deal is contained in the Liquidity section below. This arrangement has improved Journey's liquidity and financial viability. In addition, increased prices for both natural gas and electricity for 2021 to date have provided much needed working capital that will assist in the 2021 sustainability of the Company. Journey has significantly improved its liquidity, reduced its outstanding debt, and is currently realizing better prices in 2021 to date than originally forecast. In addition our largest shareholder and sole debt holder, AIMCo has shown confidence in the Company and the team. However, there are still two significant term debt maturities in 2021 and while Journey currently believes they can meet their commitments to AIMCo, liquidity can become a concern should commodity prices decline significantly as they did in 2020.

Outlook

In November of 2020, Journey entered into a sale agreement for its newly commissioned power project, along with the associated producing natural gas assets, which are used as the supply for the electricity generation. Originally the sale was to have closed in December but due to unforeseen circumstances on the purchaser's side, the closing was delayed several times. Journey held a $0.9 million deposit from the purchaser in escrow in the event of default. Journey has been working with the purchaser throughout this time period to ensure a successful closing. However, effective March 1, 2021 the purchaser has defaulted on the latest extension to the closing, and the deposit has been forfeited. Journey used the forfeited deposit, along with its own funds to partially repay AIMCo's term debt in the amount of $3.75 million on March 2. With the current direction of both power and natural gas prices, Journey is pleased to retain the asset it built, as it fits very nicely into its southern Alberta core areas and leverages the increases in both natural gas and electricity prices. Now that the outcome of the disposition has been settled, Journey has additional optionality with respect to the continued operation of the assets, or to find another buyer for these assets or a different asset within the Company. Journey will give the highest priority to debt reduction with AIMCo throughout 2021.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Daily sales volumes decreased 15% to 8,074 boe/d in the fourth quarter of 2020 from 9,463 boe/d in the fourth quarter of 2019. The decrease in sales volumes was mainly attributable to natural declines. Natural gas volumes were 10% lower in the fourth quarter of 2020, while oil was lower by 23% and NGL's were higher by 1%. For the twelve month periods, daily sales volumes decreased 11% to 8,379 boe/d for 2020 from 9,372 boe/d in 2019. There was no drilling in 2020 as the main theme for the year was survival during the pandemic, and throughout the decline in prices associated with reduced global demand for commodities and the Saudi-Russia oil price war. Approximately 1,500 bbl/d of uneconomic oil production was curtailed in April and then brought back on-line in stages as oil prices recovered in July through August. Fourth quarter sales volumes were mostly at full capacity with the exception of minor downtimes for well servicing that had been deferred due to the pandemic.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas (Mcf/d)						
Conventional	**18,295**	19,712	(7)	**18,764**	19,367	(3)
Coal bed methane	**7,871**	9,490	(17)	**8,506**	9,712	(12)
Total natural gas volumes	**26,166**	29,202	(10)	**27,270**	29,079	(6)
Crude oil (Bbl/d)						
Light/medium	**2,060**	2,968	(31)	**2,263**	2,868	(21)
Heavy	**992**	971	2	**906**	1,066	(15)
Total crude oil volumes	**3,052**	3,939	(23)	**3,169**	3,934	(19)
Natural gas liquids (Bbl/d)	**661**	657	1	**665**	592	12
Barrels of oil equivalent (boe/d)	**8,074**	9,463	(15)	**8,379**	9,372	(11)

All natural gas and crude oil volumes referred to hereinafter refer to the totals above for the product type groupings.

Volumetric Product Mix

For the fourth quarter of 2020, natural gas production contributed 54% (2019 – 51%) of total sales volumes; oil volumes were 38% (2019 – 42%) and NGL's were 8% (2019 – 7%). For the twelve months ended December 31, 2020 natural gas production contributed 54% as compared to 52% in 2019; oil was 38% as compared to 42% in 2019 and NGL's were 8% for 2020 (2019 – 6%).

	Three months ended December 31,			Twelve months ended December 31,		
% of Aggregate Production	**2020**	2019	% Change	**2020**	2019	% Change
Natural gas	**54**	51	6	**54**	52	4
Crude oil	**38**	42	(10)	**38**	42	(10)
Natural gas liquids	**8**	7	14	**8**	6	33
Total	**100**	100	-	**100**	100	-

Benchmark Indices

	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Crude Oil						
WTI (US$/Bbl)	**42.66**	56.96	(25)	**39.40**	57.02	(31)
CDN light sweet (CDN$/Bbl)	**49.17**	66.77	(26)	**45.39**	68.87	(34)
WCS (CDN$/Bbl)	**43.42**	54.29	(20)	**35.59**	58.77	(39)
Natural Gas						
NYMEX (US $/Mmbtu)	**2.53**	2.42	5	**2.04**	2.53	(19)
AECO - Daily (CDN$/Mcf)	**2.65**	2.48	7	**2.24**	1.80	24
Foreign Exchange						
Canadian to US dollar	**0.7676**	0.7576	1	**0.7462**	0.7537	(1)
US to Canadian dollar	**1.3030**	1.3200	(1)	**1.3412**	1.3268	1

WTI oil prices decreased 25% in the fourth quarter of 2020 to average US $42.66/bbl as compared to US $56.96 bbl in the fourth quarter of 2019. The Canadian dollar increased 1% against the US dollar during the fourth quarter of 2020, which had a small negative effect on realized Canadian oil prices. Changes to the Canadian dollar vis a vis the US dollar are based on many factors including the strength of the Canadian economy, Canadian and US interest rates, the political environment and exports. The average Canadian light sweet oil price decreased from an average of CAD $66.77/bbl in the fourth quarter of 2019 to CAD $49.17/bbl in the fourth quarter of 2020. A similar result

was realized in WCS prices wherein during the fourth quarter of 2020 WCS was CAD $43.42, as compared to CAD $54.29 in the fourth quarter of 2019. For the 2020 year WTI prices were 31% lower than in 2019 which is the result of lower demand for oil due to the pandemic and worldwide economies slowing down. Canadian light sweet and WCS oil prices were correspondingly impacted by similar declines of 34% and 39% respectively.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Natural gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 7% higher at $2.65/mcf in the fourth quarter of 2020 as compared to $2.48/mcf during the same period in 2019. For the entire year, AECO prices were 24% higher in 2020 at $2.24/mcf as compared to $1.80/mcf in 2019.

Realized Prices

Realized commodity prices for Journey for the respective periods were as follows:

a) Realized prices <u>excluding</u> hedging gains and losses:

	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas ($/Mcf)	**2.57**	1.74	48	**1.94**	1.55	25
Crude oil ($/Bbl)	**42.46**	57.70	(26)	**37.97**	60.80	(38)
Natural gas liquids ($/Bbl)	**25.51**	25.86	(1)	**18.75**	25.29	(26)
Total ($/boe)	**26.46**	31.17	(15)	**22.15**	31.92	(31)

Journey realized $2.57/mcf for its natural gas in the fourth quarter of 2020 as compared to $1.74/mcf in 2019. Conversely realized oil prices were 26% lower at $42.46/bbl compared to $57.70/bbl in 2019. Overall, Journey realized a corporate average price of $26.46/boe during the fourth quarter which was 15% lower than the $31.17/boe realized in the fourth quarter of 2019. For the twelve months ended December 31, 2020 Journey's average realized commodity prices decreased 31% to $22.15/boe from $31.92/boe in 2019. For the twelve months ended December 31, 2020 realized natural gas prices were 25% higher than 2019 prices averaging $1.94/mcf as compared to $1.55/mcf in 2019. Oil prices were 38% lower at $37.97/bbl during the twelve months of 2020 as compared to $60.80/bbl in 2019. NGL prices were 26% lower in 2020 than in 2019 as they averaged $18.75/bbl in 2020 as compared to $25.29/bbl in 2019.

b) Realized prices <u>including</u> hedging gains and losses:

During 2020 and 2019, Journey had 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,		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas ($/Mcf)	**2.54**	1.74	46	**1.91**	1.55	23
Crude oil ($/Bbl)	**44.02**	58.23	(24)	**44.96**	60.62	(26)
Natural gas liquids ($/Bbl)	**25.51**	25.86	(1)	**18.75**	25.29	(26)
Total ($/boe)	**26.95**	31.39	(14)	**24.71**	31.85	(22)

RISK MANAGEMENT ACTIVITIES

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

Gain (loss) $000's	Three months ended December 31, 2020	2019	% Change	Twelve months ended December 31, 2020	2019	% Change
Realized	**370**	194	91	**7,865**	(253)	(3,209)
Unrealized	**(396)**	(751)	(47)	**456**	(1,685)	(127)
Total	**(26)**	(557)	(95)	**8,321**	(1,938)	(529)

The change in the value of these contracts for the three months ended December 31, 2020 resulted in a realized gain of $370 and an unrealized loss of $396 for a total derivative loss of $26. For the twelve months ended December 31, 2020 there was a total gain of $8,321, which was comprised of a realized gain of $7,865 and an unrealized gain of $456.

Gain (loss) $/boe	Three months ended December 31, 2020	2019	% Change	Twelve months ended December 31, 2020	2019	% Change
Realized	**0.50**	0.22	127	**2.56**	(0.07)	(3,757)
Unrealized	**(0.53)**	(0.86)	(38)	**0.15**	(0.49)	(131)
Total	**(0.03)**	(0.64)	(95)	**2.71**	(0.56)	(584)

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.

At December 31, 2020, the Company did not have any commodity related derivative contracts in place:

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

During the fourth quarter of 2020, aggregate P&NG sales decreased 28% to $19,651 as compared to $27,134 for the same period in 2019. The decrease in revenues is explained by the 15% decrease in average sales volumes as well

as the 15% decrease in average commodity prices comparing quarter to quarter. For the twelve months ended December 31, aggregate P&NG sales decreased 38% to $67,912 in 2020 from $109,190 in 2019. For the twelve month period in 2020, the decrease in P&NG sales was primarily the result of an 11% decrease in sales volumes as well as a 31% decrease in average commodity prices. For the fourth quarter of 2020 realized prices increased for natural gas by 48%; decreased for oil by 26% and decreased for NGL's by 1%. For the twelve month period in 2020, prices increased 25% for natural gas, and decreased for oil and NGL's by 38% and 26% respectively.

	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Natural gas	**6,180**	4,661	33	**19,317**	16,437	18
Crude oil	**11,919**	20,911	(43)	**44,032**	87,290	(50)
Natural gas liquids	**1,552**	1,562	(1)	**4,563**	5,463	(16)
P&NG sales	**19,651**	27,134	(28)	**67,912**	109,190	(38)

	Three months ended December 31,			Twelve months ended December 31,		
P&NG Sales (% Contribution)	**2020**	2019	% Change	**2020**	2019	% Change
Natural gas	**31**	17	83	**28**	15	87
Crude oil	**61**	77	(21)	**65**	80	(19)
Natural gas liquids	**8**	6	36	**7**	5	34
Total	**100**	100		**100**	100	

ROYALTIES

For the fourth quarter of 2020 total royalties were $1,998 as compared to $3,766 for the same period in 2019. On a per boe basis, the royalty rate decreased to $2.69 in 2020 as compared to $4.33 in 2019. As a percentage of revenue, the rate for the fourth quarter of 2020 was 10.2% or 27% lower than the 13.9% realized in 2019. The decrease in total royalties and percentage of revenues is primarily explained by the 26% lower Journey realized oil prices.

For the twelve months ended December 31, royalties were $6,911 in 2020 as compared to $13,775 for the same period in 2019. On a per boe basis, the royalty rate decreased 44% to $2.25 in 2020 as compared to $4.03 from last year. As a percentage of revenue, the rate for 2020 was 10.2% or 19% lower than the 12.6% realized in 2019. The decrease in average royalty rates for 2019 were primarily attributable to the 31% decrease in corporate average realized prices.

	Three months ended December 31			Twelve months ended December 31		
$ 000's	**2020**	2019	% Change	**2020**	2019	% Change
Crown	**724**	2,000	(64)	**2,610**	7,474	(65)
Freehold/gross over-riding	**1,274**	1,766	(28)	**4,301**	6,301	(32)
Total royalties	**1,998**	3,766	(47)	**6,911**	13,775	(50)
Royalties (as a % of P&NG sales)	**10.2**	13.9	(27)	**10.2**	12.6	(19)

	Three months ended December 31			Twelve months ended December 31		
$ / boe	**2020**	2019	% Change	**2020**	2019	% Change
Crown	**0.97**	2.30	(58)	**0.85**	2.18	(61)
Freehold/gross over-riding	**1.72**	2.03	(15)	**1.40**	1.85	(24)
Total royalties	**2.69**	4.33	(38)	**2.25**	4.03	(44)

NET OPERATING EXPENSES

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Operating expense per the financial statements	**10,049**	13,685	(27)	**41,260**	51,861	(20)
Less: processing & other income	**(1,094)**	(936)	17	**(2,995)**	(3,175)	(6)
Net operating expenses	**8,955**	12,749	(30)	**38,265**	48,686	(21)
Net expense ($ per BOE)	**12.06**	14.64	(18)	**12.48**	14.23	(12)
Net expense (% of P&NG sales)	**45.6**	47.0	(3)	**56.3**	44.6	26

Operating expenses adjusted for recoveries were $8,955 or $12.06 per boe for the fourth quarter of 2020 as compared to $12,749, or $14.64 per boe in 2019. The cost saving initiatives precipitated by the drive for cost control in the industry when the pandemic decimated oil and natural gas prices were pursued throughout the year. As a result of this hard work, operating expenses were 27% lower for the fourth quarter compared to the same quarter in 2019 and 20% lower for the entire year as compared to 2019. Journey firstly focused on safe operations as its top priority and ensured all assets were being operated in a safe and efficient manner. Then, the Company looked to uncover and eliminate redundant costs in the field. For the twelve months ended December 31, operating expenses adjusted for recoveries were $38,265 or $12.48 per boe in 2020 as compared to $48,686 or $14.23 per boe in 2019. The Company achieved an 18% decrease in per boe operating expenses for the fourth quarter and 12% for the full year as compared to 2019 despite production volumes declining by 15% for the fourth quarter and 11% for the year to date Journey.

TRANSPORTATION

Transportation expenses were $453 for the fourth quarter of 2020, and represented 2.3% of P&NG revenue as compared to $654 and 2.4% for the same quarter in 2019. The cost per boe averaged $0.61 in the fourth quarter, which was 19% lower than the same period in 2019. The decrease in the aggregate expense for the fourth quarter was primarily attributable to the 23% lower oil volumes sold. For the twelve months ended December 31, transportation expenses were $1,479 for 2020 or 20% lower than $1,854 for the comparable period in 2019. For the twelve months ended December 31, the per boe costs were $0.48 in 2020 or 11% lower than the $0.54 incurred in 2019. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer. 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		
	2020	2019	% Change	**2020**	2019	% Change
Transportation expense	**453**	654	(31)	**1,479**	1,854	(20)
Expense ($ per boe)	**0.61**	0.75	(19)	**0.48**	0.54	(11)
Expense (% of P&NG sales)	**2.3**	2.4	(4)	**2.2**	1.7	29

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Expense per financial statements	**605**	1,616	(63)	**5,734**	6,928	(17)
Add:						
Overhead recoveries	**671**	800	(16)	**2,695**	2,886	(7)
Capitalized G&A	**-**	132	(100)	**-**	519	(100)
Gross expense	**1,276**	2,548	(50)	**8,429**	10,333	(18)
Expense ($ per boe)						
Expense per the financial statements	**0.81**	1.86	(56)	**1.87**	2.03	(8)
Gross expense	**1.71**	2.93	(42)	**2.75**	3.02	(9)

For the fourth quarter of 2020, G&A expense before recoveries was lower by 50% at $1,276 as compared to $2,548 in 2019. The decrease in G&A costs during the fourth quarter was mainly attributable to the impact of the cost cutting measures employed both in the last half of 2019 and into 2020 as the pandemic smothered the economy. Journey embarked on various initiatives late in 2019 to re-bid out certain administrative services and to eliminate other redundant services. In addition, and in light of the shut-in volumes due to uneconomic prices in April of 2020, Journey reduced compensation levels for head office staff by 10%; temporarily furloughed approximately one-quarter of its workforce; restructured its head office lease in November; and applied for and received benefits under the Canadian Emergency Wage Subsidy (CEWS) program which ran from April through the end of the year. The cost savings in 2020 were partially offset by the legal and restructuring advisor costs of $810 as required by the banks during the forbearance period. In addition, the year-to-date G&A expense includes $1,958 of a bad debt related to a dispute with the Company's natural gas purchaser in the first quarter. Despite these extra costs, Journey was able to achieve a 56% reduction in G&A cost per boe in the fourth quarter and 8% for the full year of 2020 as compare to the respective periods in 2019. The full impact of all costs savings measures will start after the first quarter of 2021. At this time the annualized gross G&A is projected to be approximately $7 million (excluding any entitlement to Government subsidies).

For the twelve months ended December 31, 2020 G&A expense before recoveries was 18% lower at $8,429 as compared to $10,333 in 2019. G&A per boe was $1.87 in 2020 or 8% lower than $2.03 in 2019. The 11% lower production levels in 2020 and the $1,917 bad debt realized in the first quarter from a dispute with Journey's natural gas marketer caused the per boe amounts to be higher than what they will be going into 2021.

FINANCE EXPENSE

Finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion on the term debt, accretion on right-of-use assets and miscellaneous bank charges. Finance expenses increased 76% from the fourth quarter of 2019 to the fourth quarter of 2020 mainly due to the higher amortization costs on the deferred finance charges. These deferred finance charges relate mainly to the costs incurred in the debt restructuring, which concluded on October 30. See the full description of the restructuring in the liquidity section below. Borrowing costs for the fourth quarter of 2020 decreased 12% to $1,972 in 2020 from $2,251 in 2019. For the fourth quarter of 2020, the average interest-bearing debt outstanding was $95,898, which was an 18% decrease from $117,114 for the comparable period in 2019. The average effective interest rate on outstanding borrowings increased 18% to 9.0% in 2020 from 7.6% in 2019 as higher costing term debt replaced the syndicated bank debt on October 30. On a per BOE basis, the non-accretion related finance expense was $2.65 for the fourth quarter of 2020 as compared to $2.56 for the same quarter in 2019, representing a 4% increase, period over period. The lower aggregate borrowing costs were the result of a lower principal amount of term debt. The

bank debt was settled at an amount lower than its principal amount with the new term debt borrowings. While the term debt carries a higher interest rate than the bank debt the overall debt-bearing interest decreased because the principal amount of the borrowings more than offset the higher interest rate impact. The per boe rate increased for the three month period in 2020 mainly due to the higher interest rates on the new term debt, plus a decrease in sales volumes by 15%.

For the twelve months year to date, finance expense was 16% higher than in 2019. While interest rates are higher in 2020, the average, interest-bearing debt was lower by 9% at $112,558 due mainly to the debt settlement in October, while the accretion charges were lower by 35%. On a per boe basis the borrowing costs were 19% higher at $3.23/boe in 2020 as compared to $2.71/boe in 2019. Total finance expense was $5.00/boe, which was 25% higher than the $4.01 realized in 2019.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Expense per financial statements	**5,440**	3,094	76	**15,327**	13,201	16
Add (Deduct):						
Accretion expense	**(951)**	(862)	10	**(2,895)**	(4,462)	(35)
Other amortization costs	**(2,519)**	-	-	**(2,519)**	-	-
Bank fees and other charges	**2**	19	(89)	**7**	-	-
Expense related to borrowings	**1,972**	2,251	(12)	**9,920**	8,739	14
Average interest bearing debt	**95,898**	117,114	(18)	**112,558**	124,131	(9)
Expense ($ per boe)						
Related to borrowings & other fees	**2.65**	2.56	4	**3.23**	2.71	19
Finance expense – accretion & other	**4.67**	0.99	372	**1.77**	1.30	36
Total finance expense	**7.32**	3.55	106	**5.00**	4.01	25

SHARE BASED COMPENSATION

Share based compensation expense was $106 for the fourth quarter of 2020 as compared to $526 in 2019. For the twelve months ending December 31, the expense was $1,819 for 2020, which was 37% lower than the $2,871 experienced in 2019. The main reason for the decrease was that no new long term incentives were issued and the ones that were outstanding had limited amount of expense left to amortize. During the fourth quarter of 2020, 1,423 long term incentives vested and were settled by way of treasury share issuance. During 2020 the Company did not capitalize any share based compensation expense as the capital activity by internal staff was minimal or in the case of the power generation project, was outsourced. Capitalization is attributable to technical staff, who are directly related to exploration and development activities. The fair value of all share-based compensation was estimated based on the date of issuance using a modified Black Scholes pricing model and is amortized over the vesting period.

	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Expense per financial statements	**106**	526	(80)	**1,819**	2,871	(37)
Expense ($ per boe)	**0.14**	0.60	(77)	**0.59**	0.84	(30)

DEPLETION AND DEPRECIATION ("D&D")

Aggregate D&D increased from $7,073 in the fourth quarter of 2020 to $8,535 in 2019. The decrease of 17% primarily reflects the reduced depletable base in 2020 resulting from the large impairment in the first quarter of $60,923. For

the fourth quarter, and on a per boe basis, D&D was $9.52 for 2020 as compared to $9.80 in 2019, representing a 3% decrease.

For the twelve months ending December 31, aggregate D&D increased 10% from $35,373 in 2019 to $38,959 in 2020. On a per boe basis D&D was $12.70 in 2020, a 23% increase from $10.34 in 2019.

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2019	% Change	**2019**	2019	% Change
Depletion and depreciation ($)	**7,073**	8,535	(17)	**38,959**	35,373	10
Expense ($ per boe)	**9.52**	9.80	(3)	**12.70**	10.34	23

IMPAIRMENTS

At each reporting period, the Company assesses whether there were indicators of impairment. The assessment factored in reserves, change in commodity prices, interest rates, health of the sector and the general economy, well performance and near term development plans. At March 31 of 2020, It was determined that impairment indicators were present for all CGU's and as a result, the CGU's were tested for impairment. It was determined that the carrying amount of the Crystal and Countess CGU's had not exceeded their recoverable amount and therefore there was no impairment. However, the Cherhill, Herronton, Gilby, Pembina, Pine Creek, Skiff and Matziwin CGU's were found to be impaired as the carrying value exceeded the recoverable amount. The recoverable amount was calculated as the fair value of the assets less cost of disposal in an assumed asset sale. The fair value less costs to dispose was determined using a discounted cash flow approach based on the March 31, 2020 internal reserve evaluation of proved plus probable reserves and using an average of three major independent reserve engineer's forecast commodity prices. Journey used an after-tax risk adjusted discount rate that was based on the nature of the assets held in the CGU to determine the fair value at the measurement date.

The table below summarizes the benchmark prices for the next thirteen years published by the independent reserve evaluators and used by Journey's Management in preparing the Company's March 31, 2020 internal reserve evaluation. These prices were the drivers behind the impairment calculations by Management.

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

The annual escalation rate used after 2032 is 2.0%.

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

The impairment of these seven CGUs was primarily attributable to the decline in oil prices as used in the internal reserve evaluation. 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.

At December 31, 2020 the Company made an assessment of whether there were indicators of impairment. The assessment factored in our most recently completed reserve evaluation by the Company's independent evaluator, changes in commodity prices year over year, interest rates, the relative health of both the oil and gas industry, and the general economy, well performance, and near term development plans. Taking all of this into account, Journey concluded there were no further indicators of impairment at December 31, 2020.

Journey recognized an impairment with respect to its exploration and evaluation assets of $440 in the fourth quarter of 2020 as compared to $1,238 in 2019. 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 right sales in each of the respective CGUs.

	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
PP&E impairment	**-**	-	-	**60,923**	-	-
E&E impairment	**440**	1,238	(64)	**440**	1,238	(64)
Total impairments	**440**	1,238	(64)	**61,363**	1,238	4,857
Total Impairment expense ($ per boe)	**0.59**	1.42	(58)	**20.01**	0.36	5,458

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. During the three months ended December 31, 2020 Journey incurred an expense of $13 which was 96% lower than the $291 expensed in 2019. For the twelve months ended December 31, 2020 the expense was $799 as compared to $1,209 in 2019.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
E&E expense	**13**	291	(96)	**799**	1,209	(34)
$ per boe	**0.02**	0.33	(94)	**0.26**	0.35	(26)

GAIN ON DISPOSAL OF PP&E ASSETS

There was one asset disposition in 2020, which yielded a gain of $705. The gain was mainly attributable to the reduction of decommissioning liabilities that were transferred with the asset to the purchaser.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Gain on disposition	**705**	-	-	**705**	-	-
$ per boe	**0.95**	-	-	**0.23**	-	-

GAIN ON LEASE MODIFICATION

Journey entered into an amendment to its head office lease effective November 1, 2020. This amendment resulted in a reduction in the space Journey occupies; a reduction in the lease rate per square foot; and an eighteen month extension to the new lease terms. These favourable changes resulted in a lower future lease obligation and hence a gain was recorded on the balance sheet.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Gain on lease modification	**483**	-	-	**483**	-	-
$ per boe	**0.65**	-	-	**0.16**	-	-

(GAIN) LOSS ON DEBT RESTRUCTURING

On October 30, 2020 Journey entered in a debt restructuring where its principal shareholder loaned it funds that were used to settle the outstanding syndicated bank borrowings for an amount less than its principal amount. At the time of the settlement there was $75,000 outstanding in syndicated bank debt. $38,000 was borrowed from Alberta Investment Management Corporation and used to repay the banks. As a result of the settlement of the bank debt for less than its principal amounts outstanding a gain resulted in the amount of $35,664. The full details of the debt restructuring are contained in the Liquidity section below.

In 2019 there was a loss on debt restructuring of $636. This loss resulted from the restructuring of the outstanding promissory notes to AIMCo, which were converted 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 2019. 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 2019) 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 2019 promissory notes were voluntarily surrendered by AIMCo for cancellation. As a result of the 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		
	2020	2019	% Change	**2020**	2019	% Change
(Gain) loss per financial statements	**(35,664)**	-	-	**(35,664)**	636	(5,708)
$ per boe	**48.01**	-	-	**11.63**	(0.19)	(6,221)

DEFERRED INCOME TAX

For the fourth quarter of 2020, there was an income tax recovery of $970 as compared to and expense of $1,761 for the same period in 2019. For the twelve months ended December 31, 2020 the income tax recovery was $970 as compared to an expense of $12,272 for 2019. The recovery for the fourth quarter of 2020, and in turn for the year to date, was attributable to the de-recognition of the tax impact related to the new term debt issued in October and thereby keeping the deferred tax asset at nil. No deferred tax asset is currently being recognized due to Management's assessment that it was not probable that Journey's tax pools would be able to be utilized in future years.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2019**	2019	% Change
Income tax expense (recovery)	**(970)**	1,761	(155)	**(970)**	12,272	(108)
($ per boe)	**(1.31)**	2.02	(165)	**(0.32)**	3.59	(109)

Journey has available $679,360 in deductible income tax pools for future utilization should the Company generate sufficient taxable income. Given Journey's significant tax pools the Company does not expect to be cash taxable into the foreseeable future. The income tax pool balances, by category, at the end of 2020 (before any de-recognition), were as follows:

Tax Pool	**Deductible rate**	**Amount**
Canadian oil & gas property expenses	10% declining balance	106,783
Canadian development expenses	30% declining balance	91,909
Canadian exploration expenses	100%	47,539
Undepreciated capital costs	7-100% declining balance	69,381
Financing costs	5 year straight line	1,745
Non-capital losses	100%	362,003
Total		679,360

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. Also, in 2019 Journey de-recognized $12,849 in deferred income tax assets as Management determined that it was not probable that they would utilize a significant portion of its income tax pools due to the significant decrease in commodity prices.

NETBACKS

The operating netback of $11.10 per boe for the fourth quarter of 2020 decreased 3% from $11.45 for the same period in 2019. The decrease in the fourth quarter 2020 was mainly attributable to the 15% decrease in average realized commodity prices.

The funds flow netback per boe for the fourth quarter of 2020 was $8.14/boe compared to the $7.25/boe in 2019. Journey was able to reduce costs in all categories except a small increase of 4% in interest costs. The aggressive cost control measures implemented in the second and third quarters had a positive impact on the operating and G&A expenses for the fourth quarter. Journey achieved 56% lower G&A costs through head office cost efficiencies; and a realized hedging gain of $0.50/boe during the fourth quarter. All of these contributed to the improvement in the funds flow netback. For the twelve month periods, the funds flow netback was 47% lower at $4.40/boe in 2020 from $8.31/boe in 2019. The 31% lower average commodity prices in this twelve month period was the largest single contributor to the decrease.

In the non-funds flow category there were several significant items that created net income during the fourth quarter. All expenses, except accretion were lower in 2020 as compared to 2019. Also, Journey realized a $48.01/boe gain on the settlement of its syndicated bank debt which had a significant impact of net income for the quarter. A deferred income tax recovery of $1.31/boe also contributed to the positive earnings.

For the year to date in 2020, Journey realized a loss of $18.45 per boe, which was 101% higher than the loss of $9.16 per boe in 2019. The significant gain on settlement of debt was more than offset by the large PP&E impairment of $20.01/boe taken in the first quarter.

	Three months ended December 31			Twelve months ended December 31		
Netback ($ per boe)	**2020**	2019	% Change	**2020**	2019	% Change
Realized price	**26.46**	31.17	(15)	**22.15**	31.92	(31)
Royalties	**(2.69)**	(4.33)	(38)	**(2.25)**	(4.03)	(44)
Operating expenses	**(12.06)**	(14.64)	(18)	**(12.48)**	(14.23)	(12)
Transportation	**(0.61)**	(0.75)	(19)	**(0.48)**	(0.54)	(11)
Operating	**11.10**	11.45	(3)	**6.94**	13.12	(47)
G&A	**(0.81)**	(1.86)	(56)	**(1.87)**	(2.03)	(8)
Finance – interest	**(2.65)**	(2.56)	4	**(3.23)**	(2.71)	19
Realized hedging gain (loss)	**0.50**	0.22	127	**2.56**	(0.07)	(3,757)
Funds flow	**8.14**	7.25	12	**4.40**	8.31	(47)
Unrealized hedging gain (loss)	**(0.53)**	(0.86)	(38)	**0.15**	(0.49)	(131)
Share based compensation	**(0.14)**	(0.60)	(77)	**(0.59)**	(0.84)	(30)
Depletion and depreciation	**(9.52)**	(9.80)	(3)	**(12.70)**	(10.34)	23
Accretion	**(4.67)**	(0.99)	372	**(1.77)**	(1.30)	36
Gain (loss) PP&E assets	**0.95**	-	-	**0.23**	-	-
Gain (loss) lease modification	**0.65**	-	-	**0.16**	-	-
Gain (loss) debt restructuring	**48.01**	-	-	**11.63**	(0.19)	(6,221)
Exploration & evaluation	**(0.02)**	(0.33)	(94)	**(0.26)**	(0.35)	(26)
Impairments	**(0.59)**	(1.42)	(58)	**(20.01)**	(0.36)	5,458
Transaction costs	**(0.03)**	-	-	**(0.01)**	(0.01)	-
Deferred tax expense	**1.31**	(2.02)	(165)	**0.32**	(3.59)	(109)
Net earnings (loss)	**43.56**	(8.77)	(597)	**(18.45)**	(9.16)	101

FUNDS FLOW, CASH FLOW AND NET LOSS

Net earnings of $32,343 in the fourth quarter of 2020 as compared to a loss of $7,654 in the same quarter of 2019. The positive earnings in 2020 was resulted primarily from the gain on settlement of debt of $35,664. For the twelve month periods, the net loss was $56,624 in 2020 as compared with a loss of $31,355 in 2019. The impairment in the first quarter of 2020 of $60,923 was the largest contributor to the loss. During the fourth quarter of 2020, Journey realized net earnings per basic and diluted share of $0.75 compared to a loss of $0.18 per basic and diluted share in 2019. The net loss per share for the twelve months of 2020 was $1.31 per basic and diluted share as compared to $0.78 per basic and diluted share in 2019.

Funds flow from operations during the fourth quarter of 2020 was $6,040 as compared to $6,311 in 2019. Oil prices recovered from the historic lows experienced in the second quarter of 2020 and this led the way to a rebound in funds flows in the fourth quarter. For the twelve months ended December 31, funds flow decreased 53% to $13,475 in 2020 from $28,418 in 2019. While production volumes decreased 11% year over year, average realized prices decreased by 31%. Fourth quarter funds flow per share in 2020 was $0.14 per basic and diluted share and for the twelve months ended December 31, funds flow per share in 2020 was $0.31 per basic and diluted share. This compares to $0.15 and $0.14 per basic and diluted share for the fourth quarter of 2019 and $0.71 and $0.68 per basic and diluted share for the twelve month periods 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 $2,909 for the fourth quarter of 2020 versus $11,684 in the same quarter of 2019. The decrease was mainly caused by the decrease in payables. For the year to date, Cash Flow was $11,605 or 58% lower than the $27,748 in 2019.

	Three months ended December 31			Twelve months ended December 31		
Per share data	**2020**	2019	% Change	2020	**2019**	% Change
Net earnings (loss)	**32,343**	(7,654)	(523)	**(56,624)**	(31,355)	81
Basic ($/share)	**0.75**	(0.18)	(517)	**(1.31)**	(0.78)	68
Diluted ($/share)	**0.75**	(0.18)	(517)	**(1.31)**	(0.78)	68
Funds flow	**6,040**	6,311	(4)	**13,475**	28,418	(53)
Basic ($/share)	**0.14**	0.15	(7)	**0.31**	0.71	(56)
Diluted ($/share)	**0.14**	0.14	-	**0.31**	0.68	(54)
Cash flow from operations	**2,909**	11,684	(75)	**11,605**	27,748	(58)
Basic ($/share)	**0.07**	0.27	(74)	**0.27**	0.69	(61)
Diluted ($/share)	**0.07**	0.26	(73)	**0.27**	0.67	(60)

CAPITAL EXPENDITURES

Journey spent $817 in its capital expenditure program during the fourth quarter of 2020 and $7,066 for the entire year of 2020. Capital throughout 2020 was mainly devoted to the completion of the power generation project that was started in 2019. Given the low commodity prices and uncertainty around the reopening of economies due to the pandemic, Journey did not commit to spend anything other than the funds required for the completion of the power project. This project was commissioned on September 29.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Cash expenditures:						
Land acquisitions and lease rentals	**82**	219	(63)	**333**	961	(65)
Geological and geophysical	**-**	10	(100)	**4**	170	(98)
Drilling and completions	**-**	6,896	(100)	**-**	12,278	(100)
Well equipment and facilities	**172**	1,274	(86)	**964**	5,849	(84)
Power generation	**584**	800	(27)	**5,802**	1,000	480
Capitalized G&A	**-**	132	(100)	**-**	519	(100)
Exploration and development	**838**	9,331	(91)	**7,103**	20,777	(66)
Other expenditures	**-**	-	-	**-**	12	(100)
Total capital expenditures	**838**	9,331	(91)	**7,103**	20,789	(66)
PP&E acquisitions	**-**	-	-	**-**	227	(100)
PP&E dispositions	**(21)**	-	-	**(37)**	(485)	(92)
Acquisition of E&E assets	**-**	-	-	**-**	-	-
Net capital expenditures	**817**	9,331	(91)	**7,066**	20,531	(66)

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% Change	**2020**	2019	% Change
Other cash expenditures:						
Capitalized SBC	**-**	269	(100)	**-**	387	(100)
Decommissioning costs	**69**	1,313	(95)	**480**	2,236	(79)
Total capital expenditures	**886**	10,913	(92)	**7,546**	23,154	(67)

	Three months ended December 31,				Twelve months ended December 31,			
	2020		2019		**2020**		2019	
Wells drilled	**Gross**	**Net**	Gross	Net	**Gross**	**Net**	Gross	Net
Development wells	**-**	**-**	4	4.0	**-**	**-**	7	7.0
Stratigraphic wells	**-**	**-**	-	-	**-**	**-**	-	-
Total wells	**-**	**-**	-	-	**-**	**-**	7	7.0
Success rate (%)	**-**	**-**	100	100	**-**	**-**	100	100

DECOMMISSIONING LIABILITIES ("DL")

At December 31, 2020, Journey recorded a DL of $206,179 ($166,478 at December 31, 2019) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; and the time frame in which such costs will be incurred. The present value of the future liability at December 31, 2020 has been discounted using a real (inflation adjusted) interest rate of negative 0.3%, which is comprised of a risk-free discount rate of 1.2% less an assumed inflation rate of 1.5%. For 2019 Journey inflated the estimated costs at 2.0% and then discounted them using a real risk-free rate of 0.4%.

Journey recorded accretion charges of $625 for the most recent three month period in 2020 and $2,209 for the twelve month period in 2020 as compared to $741 and $3,421 respectively in 2019. Accretion reflects the increase in the DL from the discounted amount to the full amount of the DL associated with the passage of time. Spending under Journey's abandonment and reclamation program for the three months ended December 31, 2020 was $69 while the amount for the twelve month period was $480. This compares to $1,313 and $2,236 for the three and twelve month periods in 2019.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey's assets are funded entirely out of Funds Flow from operating activities. Journey's Liability Management Rating is within the Alberta Energy Regulator's requirements, such that no deposits are required or expected to be required as at December 31, 2020 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES ("LO")

At December 31, 2020, Journey's discounted lease obligations were $1,271 (December 31, 2019 - $5,781). The discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense over the term of the leases. The significant decrease in future lease obligations was attributable to the restructuring of Journey's head office lease wherein the lease rental rate was amended to decrease the space used, decrease the rental rate per square foot and increase the remaining term by eighteen months. Accretion charges of $46 and $274, respectively, for the three and twelve months ended December 31, 2020 and $82 and $355 respectively, for the three and twelve months ended December 31, 2019 have been recognized in the statements of comprehensive net loss to reflect the increase in the LO associated with the passage of time. Expenditures for the

LO for the three and twelve month periods ended December 31, 2020 were $195 and $1,428 respectively. For the three and twelve month periods in 2019, the expenditures were $380 and $1,613.

LIQUIDITY AND CAPITAL RESOURCES

The maturity date of the bank credit facility was set to occur on October 30, 2020 pursuant to the latest forbearance agreement. On October 30, 2020, Journey secured a $38 million term-debt facility from its largest shareholder, AIMCo, to fund the settlement of its then outstanding $75 million of bank borrowings with its syndicate of first-lien lenders. In addition to the initial $38 million payment to the banking syndicate, Journey will also be contingently liable to pay the former banking syndicate a maximum of $5.75 million over a three year period with the level of payment made tied to various levels of mixed, sweet, blended oil prices at the Edmonton, Alberta hub ("MSW") as reported by Natural Resources Canada. The payment for the 2021 determination year is capped at $750 thousand; 2022 is capped at $2.25 million; and for 2023 the payment is capped to the aggregate total of $5.75 million.

The $38 million secured term debt facility was provided by AIMCo in three tranches. The first tranche is for $15 million and bears interest at 11.5% per annum and through a series of amendments now matures on June 30, 2021. On March 2, 2021 Journey made a partial payment on this tranche of term debt in the amount of $3,750. The second tranche is for $10 million, matures October 31, 2021 and bears interest at 9.0% per annum. The third tranche is for a principal amount of $13 million, matures October 31, 2024, and bears interest of 9.0% in year one, 9.85% in year two and 12.95% in years three and four. In connection with the term debt advances Journey issued 5.0 million share-purchase warrants to AIMCo. The warrants entitle the holder to purchase one common share of Journey at an exercise price of $0.16 per warrant, which reflects a 25% premium to the 10 day weighted average trading price of Journey common shares leading up to October 30. The warrants have a four year term and expire in October 30, 2024. In addition, a commitment fee loan of $5.35 million is payable to AIMCo on October 30, 2024 and bears interest at rates which are dependent upon specified ranges of Edmonton mixed sweet oil prices. Below $65/bbl it bears interest at zero percent per annum, if prices are between $65/bbl and $80/bbl it bears interest at 5.0% per annum and if MSW prices exceed $80/bbl it bears interest at 10.0% per annum.

In the fourth quarter of 2020 Journey entered into a definitive agreement for the sale of its assets in its Countess area, which includes Journey's newly commissioned 4.0 megawatt power project. Total gross proceeds from the asset sales was approximately $16.2 million before closing adjustments. This sale was to have closed in December but was then extended several times to March 1, 2021 at the request of the purchaser. The purchaser failed to close the purchase on March 1 and Journey has retained the $902 deposit previously placed in escrow. With the deal having been terminated, Journey entered into an agreement with AIMCo to amend the maturity date of this tranche of term debt to June 30, 2021. This deferral gives Journey the time to pursue other purchasers for this assets, negotiate acceptable refinancing terms with AIMCo or another party, or sell another asset.

The above actions significantly improve the Company's debt and liquidity position. In addition, Journey is also pursuing a working capital line of credit with its current bank to further improve the Company's short-term liquidity needs and to manage fluctuations in working capital requirements

Going concern

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

While the Company has concluded substantial efforts to improve its overall debt position in 2020, there still remains uncertainties, which are being primarily caused by the ongoing Covid-19 Pandemic (see comments below) with respect to commodity prices. This in turn can have a negative impact on Journey's ability to repay its maturing term debt in 2021 and could cast doubt as to the Company's ability to continue as a going concern. The recent improvement in commodity prices has been positive in improving the outlook for the Company's liquidity, however,

with the inability of the purchaser to close the previously announced Countess asset disposition on March 1, 2021 there remains uncertainty over the Company's ability to repay AIMCo the two term debt tranches totalling $21.25 million (after the $3.75 million repayment made on March 2, 2021) that are due in 2021. AIMCo is the single largest shareholder and the sole debt holder in Journey and the Company continues to explore an amicable solution to the maturities.

Under the new credit facility with AIMCo the Company is required to maintain a Liability Management Rating ("LMR") greater than 1.75. The Company was in compliance with this requirement as at December 31, 2020 and remains in compliance as of this date. The Company has applied for and has received approval for funding under a recent program announced by the Federal Government to reclaim and abandon certain properties. This program, will improve Journey's Liability Management Rating.

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

Covid-19 Pandemic

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

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

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

Net Debt of the Corporation at December 31, 2020 was $90,355. This amount was comprised of working capital of $691 (current assets minus current liabilities minus but excluding the components related to derivative contracts, asset retirements obligations and lease obligation liabilities) plus the principal amount of the second lien term debt of $89,664.

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:

	2020	2019
Salaries and fees	**1,167**	1,167
Short-term employee benefits	**82**	538
Share based payments (i)	**834**	1,154
Total	**2,083**	2,859

(i) These amounts represent the amortization of share based compensation associated with the Company's share based compensation plans.
(ii) As at December 31, 2020 there were nine (2019 – ten) individuals that were considered key management personnel.
(iii) At December 31, 2020 there is a $2,292 commitment (2019 - $3,417) 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:

	Total	**< 1 year**	**2-3 years**	**4-5 years**	**After**
Term debt – principal amount	**89,664**	25,000	46,314	18,350	-
Natural gas transportation	**700**	298	286	103	13
Operating leases	**1,628**	352	570	706	-
Total	**91,992**	25,650	47,170	19,159	13

(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, 2021	**December 31, 2020**	December 31, 2019
Common shares outstanding	**44,001**	**44,001**	43,087
Warrants and long-term incentives	**8,510**	**8,607**	5,087
Fully diluted shares	**52,511**	**52,608**	48,174

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

	Three months ended December 31,			Twelve months ended December 31,		
Weighted average	**2020**	2019	% Change	**2020**	2019	% Change
Basic	**43,395**	42,910	1	**43,164**	40,172	7
Diluted	**43,395**	44,579	(3)	**43,164**	41,637	4

In 2020, 16 stock options expired, 141 RSU's and PSU's were forfeited, and 1,341 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, 2020	Sep. 30, 2020	June 30, 2020	Mar. 31, 2020
Production (boe/d)	8,074	8,311	7,808	9,325
Average prices realized, pre-hedging ($/boe)	26.46	24.53	15.71	21.61
Petroleum and natural gas sales	19,651	18,759	11,166	18,336
Net earnings (loss)	32,343	(8,037)	(15,489)	(65,441)
Basic – per share ($/share)	0.75	(0.19)	(0.36)	(1.52)
Diluted – per share ($/share)	0.75	(0.19)	(0.36)	(1.52)
Funds Flow	6,040	4,427	3,213	(205)
Basic – per share ($/share)	0.14	0.10	0.07	(0.01)
Diluted – per share ($/share)	0.14	0.10	0.07	(0.01)
Cash flow provided by operating activities	2,909	4,750	2,627	1,319
Total assets	287,673	292,647	289,482	276,794
Net capital expenditures	817	1,933	1,040	3,276
Long term financial liabilities	265,931	208,146	242,152	211,712
Net debt	90,355	124,644	126,634	128,435

	Dec 31, 2019	Sep. 30, 2019	June 30, 2019	Mar. 31, 2019
Production (boe/d)	9,463	9,445	9,248	9,330
Average prices realized, pre-hedging ($/boe)	31.17	30.10	32.56	33.94
Petroleum and natural gas sales	27,134	26,158	27,400	28,498
Net earnings (loss)	(7,654)	(7,055)	(12,559)	(4,087)
Basic – per share ($/share)	(0.18)	(0.18)	(0.32)	(0.10)
Diluted – per share ($/share)	(0.18)	(0.18)	(0.32)	(0.10)
Funds Flow	5,905	6,020	7,556	7,722
Basic – per share ($/share	0.14	0.15	0.18	0.20
Diluted – per share ($/share)	0.13	0.14	0.18	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

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 2020, production volumes averaged 8,074 (54% natural gas), which was a 3% decrease from 8,311 boe/d in the third quarter. Realized prices increased 8% to average $26.46/boe from the previous quarter. This increase was led by the increase in natural gas prices by 24% from the third quarter as the onset of winter pricing took hold. However, by mid-December the pandemic took hold again and worldwide economies were starting to close again due to the second wave of infections. Capital spending was almost exclusively getting the power project operating and de-bugged. Electricity generation for the months of October and November were minimal during this de-bugging period. Due to the uncertainty surrounding the negotiations with its syndicate of banks, coupled with the direction and instability of both natural gas and oil price, Journey did not drill any new wells in the fourth quarter. The discussions with the banks culminated in a deal on October 30 to buy the bank debt then outstanding ($75 million) for $38 million plus a $5.75 million future contingent payment. The funds to buy the banks debt were provided by Journey's largest shareholder AIMCo.
- The third quarter had production of 8,311 boe/d (53% natural gas) as most second quarter production was brought back on-line as oil prices rose. Average realized commodity prices were $24.53/boe in the third quarter with oil prices rising to $42.36/bbl and natural gas prices were $2.08/mcf. Funds flow was $4,427 and capital spending was restricted to mainly the power generation project wherein $1,933 was incurred during the quarter. The power project was commissioned on September 29. The Company exited the quarter with $124,644 in net debt of which $73 million was bank debt. The Company remained in forbearance on its syndicated bank line during the third quarter as it worked its way to a solution.
- The second quarter saw realized oil prices drop to $7.25/bbl in April. As a result Journey shut-in approximately 1,500 boe/d of production. Natural gas prices were reasonably consistent during the quarter as their range was $1.81/mcf to $1.97/mcf. The quarter ended up with Funds Flow of $3,213 and sales volumes averaged 7,808 boe/d (58% natural gas) as compared to 9,325 boe/d (52% natural gas) in the first quarter of 2020. Capital spending was limited to the ongoing completion of the power project as $1.0 million in capital was spent during the second quarter. The Company exited the quarter with $126.6 million of net debt.
- The first quarter of 2020 started reasonably strong as WTI averaged $57.53/bbl US in January while natural gas prices were $2.29/mcf. February prices were lower on both counts by 12% and 19% respectively.

However, the onset of the COVID-19 pandemic and the subsequent Russia/Saudi production dispute sent oil prices crashing in March to average $30.45 USD. Within Journey, the Company had a dispute with its natural gas purchaser and consequently had to take a provision for bad debts of $1.9 million. The quarter ended up with negative Funds Flow of $205. Sales volumes were 6% lower at 9,325 boe/d (52% natural gas) as compared to 9,921 boe/d (54% natural gas) in the fourth quarter of 2019. There were no wells drilled in the first quarter and capital spending was limited primarily to the power project. All available resources of the Company were conserved as the declining commodity prices hit the entire industry very hard. $3.3 million in capital was spent during the first quarter and the Company exited the quarter with $128.4 million of net debt.

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

SELECTED ANNUAL INFORMATION

	December 31, 2020	December 31, 2019	December 31, 2017
Petroleum and natural gas sales	67,912	109,190	115,041
Net loss	(56,624)	(31,355)	(37,447)
Basic – per share ($/share)	(1.31)	(0.78)	(0.94)
Diluted – per share ($/share)	(1.31)	(0.78)	(0.94)
Total assets	287,673	344,990	380,724
Total non-current liabilities	265,931	212,024	228,604

Journey's aggregate P&NG sales in 2020 of $67,912 were 38% lower than $109,190 in 2019. This decrease was attributable to a combination of an 11% decrease in production volumes, and also a 31% decrease in average commodity prices. Oil prices decreased 38% in 2020 and given that oil accounted for 65% of corporate revenues, the price decrease had a significant impact on total revenues. Journey had a net loss of $56,624 in 2020 as compared to a loss of $31,355 in 2019. The large impairment in the first quarter of 2020 of $60,923 was partially offset by the $35,664 in gain on debt and lease restructuring during the year. Total assets in 2020 decreased mainly to the large

impairment charge. The increase in total non-current liabilities during 2020 was mainly attributable to the increase in asset retirement obligations and was partially mitigated by the settlement of the syndicated bank debt for less than its face amount.

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards, amendments to accounting standards and interpretations that were adopted in 2020.

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 7, "Financial Instruments: Disclosures", IFRS 4, "Insurance Contracts" and IFRS 16) ("IBOR Phase 2 Amendments"), which provides clarity on the changes after the reform of an interest rate benchmark. The amendments are effective for annual periods beginning on or after January 1, 2021, with early application permitted. The IBOR Phase 2 Amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform. The practical expedient for modifications is accounted for by updating the effective interest rate without modification of the financial instrument and is subject to satisfying all qualifying criteria. The Company expects the IBOR Phase 2 Amendments will not have a significant impact on the financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

The 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.

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.

<u>Accounts receivable</u>

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 uncollectable 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.

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. 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. Currently the Company does not recognize a deferred tax asset as Management has made the determination that it is not probable that the Company can realize the benefits of all of their available future income tax deductions.

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 favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. Journey mitigates these risks by dealing with its lending banks as the primary counterparties.

Foreign Exchange Risk

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

Liquidity Risk

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

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

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

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

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

	< 1 year	**1 - 2 years**	**3 – 5 years**	**Total**
Accounts payable and accrued liabilities	16,198	-	-	16,198
Other liabilities	-	750	1,193	1,943
Term debt – principal	25,000	23,367	41,297	89,664
Interest on term debt	6,605	9,282	1,412	17,299
Total	47,803	33,399	43,902	125,104

Credit Risk

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

Poor credit conditions in the industry and of joint venture partners may influence a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable

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

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

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

Credit Facility Risk

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

Access to Capital Markets

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

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

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs are decreasing each year

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

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

Administrative Risks

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

Competition

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

Environmental Regulations

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

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner, which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The AER has made changes to its LLR program whereby operators are rated with respect the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is currently 1.8 and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the financial year end December 31, 2020, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporations 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, 2020. 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 2020.

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, 2020 audited consolidated financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.