



MANAGEMENT’S DISCUSSION AND ANALYSIS – SECOND QUARTER, 2019

The following Management’s Discussion and Analysis (“MD&A”) was prepared on August 6, 2019 and is management’s assessment of Journey Energy Inc.’s (“Journey” or the “the Company”) financial and operating results for the three and six months ended June 30, 2019 and 2018. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2019 and 2018 along with the notes related thereto.

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 has prepared its unaudited consolidated financial statements and comparative information in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Forward-Looking Information

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

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

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

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

The following table outlines Journey's updated forward-looking information included in, and as of the date of this MD&A and has been updated from previous forward-looking information. The disclosure below is intended to provide the reader with the key assumptions that the forward looking information is based upon and the relevant risk factors that would be considered key in preventing Journey from achieving these results. This table also represents Journey's outlook for the balance of 2019:

2019 Annual Guidance	Key Assumptions	Relevant Risk Factors
Production volumes for 2019 between 9,000 and 9,400 boe/d	Completion of the budgeted drilling program and no significant 3 rd party facility or pipeline outages.	Well performance; 3 rd party outages; drilling success; and acquisitions & divestitures
2019 Funds Flow from operations of \$27 - \$30 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD \$58.50/bbl WTI; AECO natural gas prices of \$1.50/mcf; and using an average US/CAN exchange rate of \$0.75	WTI oil prices; Edmonton par differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
2019 exploration and development capital spending program of \$23 million	The E&D program will focus mainly on drilling 6 (6.0 net) wells, as well as certain exploitation projects. 3 (3.0 net) wells have been drilled to date.	Achieving the projected Funds Flow from operations; maintaining the existing banking credit facility
Net debt of \$127 - \$129 million by the end of 2019	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Royalty rate of approximately 12%	Dependent on commodity prices and well productivity rates as per Journey's historical results	Commodity prices; new wells being drilled qualifying for reduced royalties on new production
Field operating expenses (net of recoveries) plus transportation costs in the mid- \$14/boe range	Achieving projected production volumes; no significant changes to cost structures; and no significant operational issues or unplanned workovers or turnarounds	Projected production volumes not achieved; third party oil processing capacities; operating cost increases due to inflation and/or improvement in industry conditions
Cash financing costs (interest and bank fees) costs of approximately \$2.70/boe	Bank prime rates and renewal fees remaining at current levels. No significant inflation above current levels	Bank prime rate increases beyond small increments
Cash general & administrative costs of approximately \$2.75/boe (net of capitalized G&A and recoveries)	No significant changes to currently projected activity levels	G&A is reasonably predictable as they are mainly fixed costs such as rent and salaries

Non-GAAP Measures

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

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

“**Funds Flow**” is calculated by taking “cash flow provided by operating activities” from the financial statements and removing: 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 cash 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 and are of a non-recurring nature. The Company considers Funds Flow a key performance measure as it demonstrates the Company’s ability to generate funds necessary to repay debt and to fund future growth through capital investment. Journey’s determination of Funds Flow may not be comparable to that reported by other companies. The reconciliation between cash from operating activities on the consolidated financial statements, and Funds Flow can be found in the table below. Journey also presents Funds Flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited, year-end consolidated financial statements. The reconciliation of funds flow to the GAAP measured funds flow from operating activities is presented in the following table:

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Cash provided by operating activities	5,472	26	20,946	11,785	9,422	25
Add (deduct):						
Changes in non-cash working capital	1,991	5,189	(62)	3,562	282	1,163
Payments on lease obligations	(398)	-	-	(793)	-	-
Transaction costs	10	12	(17)	17	49	(65)
Decommissioning costs incurred	83	78	6	309	692	(55)
Funds flow	7,158	5,305	35	14,880	10,445	42

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

IFRS 16 – “Leases payments”

Starting in 2019, the accounting for operating expenses changed due to a new IFRS provision being implemented on a modified retrospective basis. IFRS 16 requires a portion of what was previously considered to be operating expenses to be reclassified to a combination of depreciation and financing expense, while the cash payments are not directly reflected in the income statement. Prior years were not required to be restated to conform to IFRS 16. To be consistent with prior years, and to properly reflect the true economic expense, Journey has deducted the full cash payments from operating expenses and general and administrative expense. A reconciliation of both the GAAP expense and the modified “cash-basis” expense is included in the respective “operating expense” and “general and administrative expense” sections below.

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

	June 30, 2019	December 31, 2018	%	June 30, 2018	%
			Change		Change
Principal amount of bank indebtedness, less					
cash in bank	68,165	76,509	(11)	65,932	3
Principal amount of term promissory notes	52,000	52,000	-	52,000	-
Accounts payable and accrued liabilities	24,830	16,878	47	29,853	(17)
<u>Deduct:</u>					
Accounts receivable	(13,204)	(9,220)	43	(14,042)	(6)
Prepaid expenses and deposits	(3,340)	(1,858)	80	(3,494)	(4)
Net debt	128,451	134,309	(4)	130,249	(1)

Abbreviations and BOE Advisory

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

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

Amounts

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

HIGHLIGHTS FROM THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

Financial

Journey recorded Funds Flow of \$7,158 in the second quarter of 2019 representing \$0.18 per share basic and \$0.17 per diluted share. Cash flow from operating activities was \$5,472 in the second quarter of 2019 as compared to \$26 in the same quarter of 2018. The net loss for the second quarter was \$12,559 (\$0.32 per basic and diluted share). The Company spent capital of \$7,813 in the second quarter of 2019 and exited the quarter with net debt of \$128,451.

Capital spending

During the second quarter, Journey drilled 3 (3.0 net) wells in Matziwin and is planning to drill a total of 6 (6.0 net) oil wells during 2019. The Company has also budgeted \$2.6 million for an electricity generation project which is currently scheduled to proceed during the third and fourth quarters.

Production

Production decreased 8% in the second quarter of 2019 to average 9,248 boe/d versus 10,036 boe/d in the second quarter of 2018. Quarter over quarter production was essentially the same as production was 9,288 during the first quarter of 2019. The decrease in production was mainly the result of natural declines as two of the new wells drilled were brought on very late in June and did not contribute significantly to the second quarter volumes.

Outlook

For 2019, Journey's average production guidance is projected to be between 9,000 and 9,400 Boe/d. Funds Flow is anticipated to range between \$27 and \$30 million depending on the light and heavy differentials for oil and AECO prices for natural gas. Journey is currently projected the annual average oil differentials to be in the \$6/bbl USD for light sweet oil and \$14/bbl USD for WCS. Exploration and development capital expenditures are projected to be approximately \$23 million for the year. The Company is currently planning a 6 (6.0 net) well drilling program for 2019, of which Journey has already completed 3 (3.0 net) wells. The Duvernay prospect development continues to evolve as Journeys' operating partner now has the initial two earning wells on-production, while an additional well was recompleted and another one has been drilled and is awaiting completion.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Aggregate production volumes decreased 8% during the second quarter of 2018 to 841,531 boe from 913,264 boe for the second quarter in 2018. The decrease was partially attributable to natural declines, but also resulted from seven facility turnarounds that took place during June. Journey estimates that approximately 250 boe/d of production was impacted in the second quarter. For the second quarter, natural gas production contributed 53% (2018 – 53%) of total volumes, with oil at 41% (2018 – 39%) and NGL's at 6% (2018 – 7%).

For the six months ended June 30, 2019, aggregate production volumes decreased 8% from 1,823,811 boe to 1,681,198 boe. For the total volumes during the six months ended June 30, natural gas contributed 52% compared to 53% in 2018; oil was 41% as compared to 39% in 2018; and NGL's were 6% compared to 7% in 2018.

Daily Sales Volumes

Total daily sales volumes decreased 8% to 9,248 boe/d for the second quarter of 2019 from 10,036 boe/d in 2018. The decrease was mainly attributable to natural declines as the three wells drilled in the second quarter began producing late in June and only contributed partially to the second quarter results. In addition several facility turnarounds in June caused approximately 250 boe/d of production to be temporarily shut-in. For the six month periods, daily sales volumes also decreased 8% to 9,288 boe/d for 2019 from 10,076 boe/d in 2018.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf/d)	29,162	32,092	(9)	29,250	32,134	(9)
Crude oil (Bbl/d)	3,815	3,953	(3)	3,850	3,968	(3)
Natural gas liquids (Bbl/d)	573	734	(22)	563	752	(25)
Barrels of oil equivalent	9,248	10,036	(8)	9,288	10,076	(8)

Aggregate Sales Volumes

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf)	2,653,721	2,920,389	(9)	5,294,195	5,816,255	(9)
Crude oil (Bbl)	347,151	359,757	(4)	696,930	718,270	(3)
Natural gas liquids (Bbl)	52,093	66,775	(22)	101,902	136,165	(25)
Barrels of oil equivalent (boe)	841,531	913,264	(8)	1,681,198	1,823,811	(8)

Volumetric Product Mix

% of Aggregate Production	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	53	53	-	53	53	-
Crude oil	41	39	5	41	39	5
Natural gas liquids	6	8	(25)	6	8	(25)
Total	100	100		100	100	

Average Benchmark Price Indices

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Crude Oil						
WTI (US\$/Bbl)	59.84	67.88	(12)	57.33	65.38	(12)
Canadian light (CDN\$/Bbl)	72.55	77.82	(7)	69.74	75.69	(8)
WCS (CDN\$/Bbl)	65.75	62.81	5	61.21	55.79	10
Natural Gas						
NYMEX (US \$/Mmbtu)	2.51	2.83	(11)	2.69	2.84	(5)
AECO - Daily (CDN\$/Mcf)	1.11	1.20	(7)	1.86	1.63	14
Foreign Exchange						
US to Canadian	1.338	1.291	4	1.333	1.278	4
Canadian to US	0.748	0.775	(4)	0.750	0.783	(4)

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 7% lower at \$1.11/mcf in the second quarter of 2019 as compared to \$1.20/mcf during the same period in 2018. The combination of the restricted ability to export Alberta natural gas, and the competition with U.S. natural gas being imported into Eastern Canada and the North East United States continues to take its toll on Alberta natural gas prices. Despite the winter being colder than normal in both the U.S. and Canada, and storage levels being significantly below the five year average, the belief that there is ample production response to any significant storage draws continues to keep natural gas prices depressed. To alleviate some of the low price exposure at AECO, Journey has moved approximately 60% of the Company's natural gas differentials to a blend of four pricing points at Nymex, Dawn, Malin and Chicago.

WTI oil prices decreased 12% in the second quarter of 2019 to \$59.84 USD/bbl as compared to \$67.88 USD/bbl in the second quarter of 2018. This decline was partially mitigated by the Canadian dollar depreciating 4% against the US dollar during the second quarter of 2018. Changes to the Canadian dollar vis a vis the US dollar are based on many factors. The looming trade rhetoric with the US has had a slightly negative impact on the Canadian dollar while

the increasing oil prices have helped counteract this change. Canadian light oil prices decreased 7% during the second quarter of 2019 as compared to 2018. However, the differentials between WTI and Canadian par were relatively stable during the second quarter to average approximately \$5.04/bbl USD whereas in 2018 they were in the mid-\$7/bbl USD range. For the rest of 2019, Management is projecting the CAD\$ to remain in the current \$0.75 CDN/US range. WTI Oil prices have been varied but are currently in the \$57-\$60 USD/bbl range as mixed data over OPEC spare capacity and US production and storage continue to create volatility. Journey has decreased its 2019 projection for WTI slightly to \$58 USD (previously \$60/bbl) and has decreased its corporate oil differentials to average \$7 USD/bbl for the year (previously \$9 USD/bbl). The net impact is that Journey realized oil prices are currently anticipated to be approximately \$68.50 CDN for the year. Natural gas prices are expected to adjust seasonally but Journey is projected AECO price for 2019 at \$1.50/mcf.

Realized Prices

Commodity prices realized by Journey were as follows:

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	1.12	1.11	1	1.81	1.50	21
Crude oil (\$/Bbl)	66.85	70.21	(5)	62.36	63.86	(2)
Natural gas liquids (\$/Bbl)	23.20	47.76	(51)	28.14	44.22	(36)
Total (\$/boe)	32.56	34.69	(6)	33.25	33.24	-

Average commodity prices were 6% lower at \$32.56/boe in the second quarter of 2019 as compared to \$34.69 in 2018. Natural gas prices were virtually the same in the second quarter of 2019 at \$1.12/mcf as compared to \$1.11/mcf in 2018. Oil prices were 5% lower and NGL prices were 51% lower than in 2018. For the six months ended June 30, 2019 Journey's average realized commodity prices were flat with those for the six months in 2018 at \$33.25/boe as compared to \$33.24/boe in 2018. Realized oil prices have fluctuated widely from \$57-\$71 over the first six months of 2019. Management is currently projecting realized oil prices to be in the \$65-\$70/bbl range for the balance of the year. NGL prices have decreased significantly from the mid-\$30/bbl to more recent \$28/bbl range.

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

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	1.12	1.26	(11)	1.81	1.81	-
Crude oil (\$/Bbl)	66.73	57.95	15	61.90	52.92	17
Natural gas liquids (\$/Bbl)	23.20	47.76	(51)	28.14	44.22	(36)
Total (\$/boe)	32.51	30.34	7	33.06	29.90	11

RISK MANAGEMENT ACTIVITIES

At June 30, 2019, the Company had the following derivative contracts in place:

Oil contracts	Volume bbls/d	Pricing reference	Strike price per bbl	Term	Fair value
Swap	500	WCS	\$(13.35)USD	July 1, 2019 to July 31, 2019	-
Swap	500	WCS	\$(14.35)USD	August 1, 2019 to August 31, 2019	(17)
Swap	500	MSW	\$(7.75)USD	August 1, 2019 to December 31, 2019	(30)
Collar	500	WTI	\$77.00-\$84.15CDN	July 1, 2019 to December 31, 2019	317
Total oil derivative contracts fair value					270

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

\$ 000's	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Realized	(43)	(3,976)	(99)	(323)	(6,081)	(95)
Unrealized	357	(8,298)	(104)	(960)	(14,381)	(93)
Total	314	(12,274)	(103)	(1,283)	(20,462)	(94)

\$/boe	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Realized	0.05	4.35	(99)	0.19	3.33	(94)
Unrealized	(0.42)	9.09	(105)	0.57	7.89	(93)
Total	(0.37)	13.44	(103)	0.76	11.22	(93)

The change in the value of these contracts for the quarter ended June 30, 2019 resulted in a realized loss of \$43 and an unrealized gain of \$357. The realized loss in the second quarter was primarily attributable to WTI oil prices increasing above Journey's floor hedged amounts for oil contracts. At June 30, 2019 the estimated fair value of all commodity hedging contracts is a net asset of \$270.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby protects funds flows, which are used to fund both our capital program and debt repayment. These risks can be mitigated by entering into derivative contracts for oil, natural gas and foreign exchange. The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favour.

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

In the second quarter of 2019, aggregate P&NG sales decreased by 14% to \$27,400 as compared to \$31,685 for the same period in 2018. The decrease in sales revenue was caused by a decrease in average production volumes by 8% coupled with a decrease in average realized commodity prices by 6%.

For the six months ended June 30, aggregate P&NG sales decreased by 8% to \$55,898 in 2019 from \$60,619 in 2018. For the six months ended June 30, 2019, the decrease in P&NG sales was primarily the result of an 8% decrease in average sales volumes. During the six month period in 2019, realized prices increased 21% for natural gas, decreased for oil by 2% and decreased for natural gas liquids by 36% as compared to the same period in 2018.

\$	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	2,983	3,239	(8)	9,569	8,731	10
Crude oil	23,209	25,257	(8)	43,462	45,867	(5)
Natural gas liquids	1,208	3,189	(62)	2,867	6,021	(52)
P&NG sales	27,400	31,685	(14)	55,898	60,619	(8)

Sales - % Contribution	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	11	10	7	17	14	19
Crude oil	85	80	6	78	76	3
Natural gas liquids	4	10	(56)	5	10	(48)
Total	100	100		100	100	

ROYALTIES

For the second quarter of 2019 total royalties were \$3,216 as compared to \$4,128 for the same period in 2018. On a per boe basis, the royalty rate decreased to \$3.82 in 2019 as compared to \$4.52 in 2018. As a percentage of revenue, the rate for the second quarter of 2019 decreased 10% to 11.7% from 13.0% which was realized in 2018. The decrease in the aggregate royalties, as well as the decrease in the royalty rate as a percentage of revenues was attributable to a decrease in realized commodity prices for all products.

For the six months ended June 30, royalties were \$6,482 in 2019 as compared to \$8,111 for the same period in 2018. On a per boe basis, the royalty rate decreased 13% to \$3.86 in 2019 as compared to \$4.45 from 2018. As a percentage of revenue, the rate for the six months of 2019 was 11.6% or 13% lower than the 13.4% realized in 2018.

Journey is anticipating a corporate royalty rate of approximately 12% for the balance of 2018 based on Management's internal forecast of commodity prices and the anticipated productivity of its wells. However, this could change significantly as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

\$	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Crown	2,112	2,322	(9)	3,499	4,318	(19)
Freehold/gross over-riding	1,104	1,806	(39)	2,983	3,793	(21)
Total royalties	3,216	4,128	(22)	6,482	8,111	(20)
Royalties (as a % of P&NG sales)	11.7	13.0	(10)	11.6	13.4	(13)

\$ / boe	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Crown	2.51	2.54	(1)	2.09	2.37	(12)
Freehold/gross over-riding	1.31	1.98	(34)	1.77	2.08	(15)

\$ / boe	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Total royalties	3.82	4.52	(15)	3.86	4.45	(13)

NET OPERATING EXPENSES

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Operating expense per the financial statements	12,863	13,682	(6)	25,348	27,482	(8)
Less: expense recoveries	(701)	(767)	(9)	(1,359)	(1,743)	(22)
Net operating expenses	12,162	12,915	(6)	23,989	25,739	(7)
Net expense (\$ per BOE)	14.45	14.14	2	14.27	14.11	1
Net expense (% of P&NG sales)	44.4	40.8	9	42.9	42.5	1

<i>Operating expenses adjusted for IFRS 16</i>	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Net operating expenses above	12,162	12,915	(6)	23,989	25,739	(7)
Add: IFRS 16 lease payments	19	-	-	45	-	-
Adjusted net operating expenses	12,181	12,915	(6)	24,034	25,739	(7)
Net expense (\$ per BOE)	14.47	14.14	2	14.30	14.11	1
Net expense (% of P&NG sales)	44.4	40.8	9	43.0	42.5	1

Net operating expenses adjusted for lease payments under IFRS 16 were \$12,181 or \$14.47 per boe for the second quarter of 2019 as compared to \$12,915, or \$14.14 per boe in 2018. For the six months ended June 30, adjusted net operating costs were \$24,034 or \$14.30 per boe in 2019 as compared to \$25,739 or \$14.11 per boe in 2018. While operating expenses decreased in the second quarter of 2019 from the same quarter of 2018, as well as for the year to date, costs were higher than expected as Journey expended \$935 with respect to spill clean-up costs, as well as our preventative pipeline integrity program. For the remainder of 2019, Journey expects the net operating expense per boe rate to average in the mid-\$12 range which will bring the annual guidance to approximately \$13/boe.

TRANSPORTATION

Transportation expenses were \$370 for the second quarter of 2019, and represented 1.4% of P&NG sales for the period as compared to \$537 and 1.7% for the same quarter of 2018. The cost per boe averaged \$0.44 in the second quarter, which was 25% lower than the same period in 2018. For the six months ended June 30, transportation expenses were \$782 for 2019 or 4% lower than \$900 for the comparable period in 2018. On a per boe basis costs were \$0.47 or 4% lower than the \$0.49 incurred in 2018. Journey is currently expecting the per boe rates for the rest of 2019 to be in the \$0.45 range. 8% lower production volumes were the main reason for the decrease in the aggregate expense. However, the competitive bidding for clean oil trucking has driven the per boe rates lower in 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 and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Transportation expense	370	537	(31)	782	900	(13)
Expense (\$ per boe)	0.44	0.59	(25)	0.47	0.49	(4)
Expense (% of P&NG sales)	1.4	1.7	(18)	1.4	1.5	(7)

GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSE

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Gross expense	2,615	3,572	(27)	5,488	7,066	(22)
Less:						
Overhead recoveries	(809)	(508)	59	(1,339)	(1,105)	21
Capitalized G&A	(137)	(312)	(56)	(255)	(603)	(58)
Expense per financial statements	1,669	2,752	(39)	3,894	5,358	(27)
<u>Expense (\$ per boe)</u>						
Gross expense	3.10	3.91	(21)	3.27	3.88	(16)
Net expense	1.98	3.01	(34)	2.32	2.94	(21)

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
<i>G&A adjusted for IFRS 16</i>						
Expense per financial statements	1,669	2,752	(39)	3,894	5,358	(27)
Add: IFRS 16 lease payments	379	-	-	748	-	-
Adjusted G&A (\$)	2,048	2,752	(26)	4,642	5,358	(13)
Adjusted G&A (\$/boe)	2.43	3.01	(19)	2.76	2.94	(6)

For the second quarter of 2019, net G&A expense adjusted for the IFRS 16 lease payments, and after recoveries, was lower by 26% at \$2,048 as compared to \$2,752 in 2018. For the six months ended June 30, 2018 adjusted G&A expense was 13% lower at \$4,642 as compared to \$5,358 in 2018. The decrease in aggregate G&A costs was mainly attributable to the impact of the cost cutting measures employed in the last half of 2018 surrounding Journey’s initiative to re-bid out certain services and to eliminate other redundant services. On a per boe basis, Journey realized adjusted G&A of \$2.43 for the second quarter of 2018, or 19% lower than the \$3.01 realized in 2018. For the six months ended June 30, adjusted G&A per boe was \$2.76 in 2019 or 6% lower than \$2.94 in 2018. After adjusting for the cash lease payments under IFRS 16 the net G&A was 6% lower in 2019 at \$2.76 versus \$2.94 for the six months of 2018. For the balance of 2018 Journey expects its adjusted G&A to be in the \$2.75 per boe range based on currently forecast G&A and production levels.

FINANCE EXPENSE

Finance expenses are comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion of the promissory notes and other bank charges. The cash expenses for interest and bank fees in the second quarter of 2019 increased by 15% to \$2,384 from \$2,071 in 2018. For the second quarter of 2019, the average interest-bearing debt outstanding was \$124,760 which was a small decrease from \$125,042 for the comparable period in 2018. The higher effective interest rate in the second quarter of 2019 at 7.7% was mainly due to the higher costing term debt, which bears a fixed-rate of interest of 7.65% per annum, plus Journey being at a higher interest rate in the pricing grid with its chartered banks. The per boe rate for interest expense increased in the second quarter due to the combination of higher interest rates and lower production volumes. On a per boe basis, cash finance expense was \$2.83 in the second quarter of 2019 as compared to \$2.27 for 2018, representing a 25% increase period over period. The combination of lower production volumes and higher aggregate interest expense caused the increase in per boe rates.

For the comparable six month period, cash finance expenses for 2019 increased 19% to \$4,755 from \$3,986 in 2018. The average interest rate on outstanding on all borrowings increased to 7.5% in the first six months of 2019 from 6.7% in 2018. On a per boe basis, cash finance expense was \$2.83 for 2019 as compared to \$2.18 for 2018, representing a 30% increase.

For the balance of 2019 Journey expects the average debt outstanding to decrease as Journey plans on spending less than its funds flow, pursues non-core dispositions and concentrates on strengthening its balance sheet.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Expense per financial statements	3,574	3,238	10	7,161	6,278	14
<u>Add/(Deduct):</u>						
Accretion expense (non-cash)	(1,190)	(1,166)	2	(2,405)	(2,293)	5
Bank fees and other charges (cash)	-	(1)	(100)	(1)	1	(200)
Cash finance expense	2,384	2,071	15	4,755	3,986	19
Average debt outstanding	124,760	125,042	-	127,596	120,308	6
Average interest rate (%)	7.7	6.6	17	7.5	6.7	12
<u>Expense per boe</u>						
Cash finance expense (\$ per boe)	2.83	2.27	25	2.83	2.18	30
Non-cash finance expense (\$/boe)	1.41	1.28	10	1.43	1.26	13
Total finance expense (\$ per boe)	4.24	3.55	19	4.26	3.44	24

SHARE BASED COMPENSATION

Share based compensation expense was \$781 for the second quarter of 2019 as compared to \$503 in 2018. For the six months ending June 30, the expense was \$1,601 for 2019, an increase of 49% from the \$1,071 expensed in 2018. Share based compensation expense was higher in 2019 due to the new long term incentives issued in the fourth quarter of 2018. During the second quarter, the Company capitalized \$39 of share based compensation expense to property, plant and equipment as compared to \$91 in 2018. For the six months ended June 30, 2018 the capitalized portion was \$78 compared to \$183 in 2018. The capitalization is attributable to technical staff that is directly related to exploration and development activities and is lower in 2019 due to reduced capital activity. The fair value of all stock options is amortized over the options' vesting period.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Expense per financial statements	781	503	55	1,601	1,071	49
Expense (\$ per boe)	0.93	0.55	69	0.95	0.59	61

DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D increased from \$8,385 in the second quarter of 2018 to \$8,824 in 2019. While aggregate production volumes decreased by 8% in the second quarter of 2019, the 5% increase in the aggregate D&D expense was primarily attributable to the increased depletable base in 2019 resulting from the combination of additional capitalized asset retirement obligations and new drilling expenditures. On a per boe basis, D&D was \$10.49 for 2019 as compared to \$9.18 in 2018, representing a 14% increase.

For the six months ending June 30, aggregate D&D increased by 4% from \$16,559 in 2018 to \$17,282 in 2019. On a per boe basis D&D was \$10.28 in 2019, a 13% increase from \$9.08 in 2018.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Depletion and depreciation (\$)	8,824	8,385	5	17,282	16,559	4
Expense (\$ per boe)	10.49	9.18	14	10.28	9.08	13

GAIN ON DISPOSITION OF ASSETS

There were no asset dispositions yielding a gain or loss during the first six months of 2019.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Gain on disposition	-	1,830	(100)	-	3,657	(100)
\$ per boe	-	2.00	(100)	-	2.01	(100)

EXPLORATION AND EVALUATION (E&E) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed during the accounting period. During the three months ended June 30, 2019 Journey incurred an expense of \$66 which was 94% lower than the \$1,095 expensed in 2018. For the six months ended June 30, 2019 the expense was \$452 as compared to \$1,217 in 2018. No impairments of E&E assets were realized in 2019 to date.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
E&E expense	66	1,095	(94)	452	1,217	(63)
\$ per boe	0.08	1.20	(93)	0.27	0.67	(60)

TAXES

For the three and six month periods ended June 30, 2019, there was a \$9,601 deferred income tax expense. The expense was related to the combination of two significant items. First, due to continued declines in forecast natural gas prices, Management determined that the benefit from a larger portion of the deferred tax asset would not be realized. In addition, Alberta decreased corporate income tax rates, which created a further reduction to the deferred tax asset. As a result the deferred tax asset has been reduced to \$3,598. As at June 30, 2019, the Company has approximately \$725,583 in undeducted tax pools that are being carried forward for future use.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Deferred tax expense	9,601	-	-	9,601	-	-
Deferred tax expense (\$ per boe)	11.41	-	-	5.71	-	-

NETBACKS

The operating netback of \$13.83 per boe for the second quarter of 2019 decreased by 10% from \$15.44 for the same period in 2018. For the six months ended June 30, the operating netback was \$14.62 per boe for 2019 which was a 3% increase from \$14.19 for 2018. The decrease in the operating netback for the second quarter was mainly due to the 6% decrease in average commodity prices, along with the 2% increase in operating expenses. For the year to date the operating netback increased by 3% with the decrease in royalty expense of 13% creating most of the change.

The funds flow netback per boe for the second quarter of 2019 was \$8.52 per boe which was 47% higher than the same quarter in 2018. The most significant contributor to the higher netback was the decrease in realized hedging losses by 99%. Journey had exited out of most of its oil hedges in late 2018 and consequently there are very few hedges remaining. G&A expenses decreased by 19% in the second quarter while cash interest costs increased by 25%. For the six month periods, the funds flow netback increased 54% from \$5.74 per boe in 2018 to \$8.84 in 2019. The leading causes of this increase were a reduction in hedging losses by 94% to \$0.19 per boe while G&A expense decreased by 6% to \$2.76 per boe. For the balance of 2019, the funds flow netback is expected to improve as higher average commodity prices and lower operating expenses are projected for the balance of the year.

After taking into account the non-cash items, there was a net loss of \$14.92 per boe for the second quarter of 2019. A significant portion of this loss was the result of an additional valuation allowance taken on Journey's deferred tax asset in the amount of \$11.41/boe for the three months of 2019 and \$5.71/boe for the six month period.

For the six months year to date in 2019 Journey realized a net loss of \$9.91 per boe compared to a net loss of \$11.77 in 2018. While the deferred tax expense was a large contributor to the loss in the second quarter of \$5.71 per boe, this was more than offset by the reduction in the unrealized loss from \$7.89 in 2018 to \$0.57 in 2019.

(\$ per boe)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change %	2019	2018	Change %
Realized price	32.56	34.69	(6)	33.25	33.24	-
Royalties	(3.82)	(4.52)	(15)	(3.86)	(4.45)	(13)
Operating	(14.47)	(14.14)	2	(14.30)	(14.11)	1
Transportation	(0.44)	(0.59)	(25)	(0.47)	(0.49)	(4)
Operating	13.83	15.44	(10)	14.62	14.19	3
G&A	(2.43)	(3.01)	(19)	(2.76)	(2.94)	(6)
Finance – cash portion	(2.83)	(2.27)	25	(2.83)	(2.18)	30
Realized hedging loss	(0.05)	(4.35)	(99)	(0.19)	(3.33)	(94)
Funds flow	8.52	5.81	47	8.84	5.74	54
Unrealized gain (loss) on hedges	0.42	(9.09)	(105)	(0.57)	(7.89)	(93)
Share based compensation	(0.93)	(0.55)	69	(0.95)	(0.59)	61
Depletion and depreciation	(10.49)	(9.18)	14	(10.28)	(9.08)	13
Accretion	(1.41)	(1.28)	10	(1.43)	(1.26)	13
Gain on dispositions	-	2.00	(100)	-	2.01	(100)
Exploration & evaluation	(0.08)	(1.20)	(93)	(0.27)	(0.67)	(60)
Transaction costs	(0.01)	(0.01)	-	(0.01)	(0.03)	(67)
Deferred tax expense	(11.41)	-	-	(5.71)	-	-
Lease payments (IFRS 16)	0.47	-	-	0.47	-	-
Net loss	(14.92)	(13.50)	11	(9.91)	(11.77)	(16)

NET LOSS, FUNDS FLOW AND CASH FROM OPERATING ACTIVITIES

Funds flow from operations during the second quarter of 2019 was \$7,158, an increase of 35% from \$5,305 realized in 2018. For the six months ended June 30, funds flow from operations increased 42% from \$10,445 in 2018 to \$14,880 in 2019. The increase was significantly attributable to the large decrease in hedging losses from \$3,976 in the second quarter of 2018 to \$43 in 2019.

There was a net loss for the three months ended June 30, 2019 of \$12,559, which was similar to the loss of \$12,324 in 2018. The net realized and unrealized hedging losses amounted to \$12,274 in the second quarter of 2018 while in 2019 there was a gain of \$314.

During the second quarter of 2019, Journey realized a net loss per share of \$0.32 (basic share and diluted). The net loss per share for the six months was \$0.42 per basic and diluted share. This compares to a net loss per share of \$0.32 for the three months ended June 30, 2018 and \$0.53 per share for the six months ended June 30, 2018.

Second quarter funds flow per share in 2018 was \$0.18 per basic and \$0.17 per diluted share, which was 29% and 31% higher than the \$0.14 basic and \$0.13 diluted per share amounts for the second quarter of 2018. For the six month periods ended June 30, funds flow per share in 2019 increased 46% to \$0.38 per basic share and \$0.36 per diluted share from \$0.26 and \$0.25 respectively in 2018.

Cash flow provided by operating activities (“Cash Flow”) is the IFRS financial statement measure which represents how much cash was generated by Journey’s business operations. Cash Flow was \$5,472 for the second quarter of 2019 versus \$11,785 during the same quarter of 2018.

Per share data	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Net loss	(12,559)	(12,324)	2	(16,646)	(21,468)	(22)
Basic (\$/share)	(0.32)	(0.32)	-	(0.42)	(0.53)	(21)
Diluted (\$/share)	(0.32)	(0.32)	-	(0.42)	(0.53)	(21)
Funds flow	7,158	5,305	35	14,880	10,445	42
Basic (\$/share)	0.18	0.14	29	0.38	0.26	46
Diluted (\$/share)	0.17	0.13	31	0.36	0.25	44
Cash generated from operations	5,472	26	nm	11,785	9,422	25
Basic (\$/share)	0.14	-	-	0.30	0.26	15
Diluted (\$/share)	0.13	-	-	0.29	0.25	16

CAPITAL EXPENDITURES

Journey spent \$7,813 on capital expenditures (before acquisitions/dispositions) during the second quarter of 2019 representing an increase of 4% from \$7,499 in 2018. Journey drilled 3 (3.0 net) wells during the quarter all of which were in Matziwin. Since two of these wells were completed and put on-production late in the quarter, very little production volumes were reflected in the second quarter results. All three wells are now producing.

Total capital spent for the year to date in 2019 was \$8,773. Journey is currently on track to spend approximately \$23 million in net capital during the year, but this target will remain flexible as commodity prices continue to vary widely throughout the year.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
<u>Cash expenditures:</u>						
Land and lease rentals	71	1,361	(95)	314	3,713	(92)
Geological and geophysical	136	1	13,500	136	191	(29)
Drilling and completions	4,931	6,320	(22)	4,931	10,942	(55)
Well equipment and facilities	2,871	2,289	25	3,411	5,313	(36)
Capitalized general and administrative	137	312	(56)	255	603	(58)
Exploration and development	8,146	10,283	(21)	9,047	20,762	(56)
Other	2	17	(88)	6	39	(85)
Total capital expenditures	8,148	10,300	(21)	9,053	20,801	(56)
PP&E acquisitions	134	23	483	189	23	722
PP&E dispositions	(469)	(2,778)	(83)	(469)	(4,780)	(90)
E&E acquisitions/dispositions	-	(46)	(100)	-	(172)	(100)
Net capital expenditures	7,813	7,499	4	8,773	15,872	(45)
<u>Non-cash expenditures:</u>						
Capitalized share based compensation	40	91	(56)	78	183	(57)
Capitalized decommissioning liability	83	78	6	309	692	(55)
Total cash capital expenditures	7,936	7,668	3	9,160	16,747	(45)

Wells drilled	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development wells	3	3.0	4	4.0	3	3.0	6	6.0
Success rate (%)	100	100	100	100	100	100	100	100

DECOMMISSIONING LIABILITIES (“DL”)

At June 30, 2019, Journey recorded a DL of \$216,590 (\$181,849 at December 31, 2018) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; the time frame in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. The future liability has then been discounted at a risk-free interest rate of 1.6% at June 30, 2019 (December 31, 2018 – 2.1%).

Journey recorded accretion charges of \$887 for the three month period and \$1,799 for the six month periods in 2019 as compared to \$973 and \$1,934 respectively in 2018. Accretion reflects the increase in the DL from the discounted amount to the full amount of the DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the three months ended June 30, 2019 was \$83 while the amount for the six month period was \$309. This compares to \$78 and \$692 for the three and six month periods in 2018.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey’s assets are funded entirely out of Funds Flow from operating activities. Journey’s Liability Management Rating is well within the Alberta Energy Regulator’s requirements, such that no deposits are required or expected to be required as at June 30, 2019 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES (“LO”)

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

The initial lease obligations recognized at January 1, 2019 were \$6,919. At June 30, 2019, Journey has recorded lease obligations of \$6,310. The future liability has been discounted at an interest rate that approximates Journey’s incremental cost of borrowing or 5.5%. The discounted lease obligations are then accreted up to their eventual cash obligation through finance expense. Accretion charges of \$90 and \$184 for the three and six month periods ended June 30, 2019 have been recognized in the statements of comprehensive net income (loss) to reflect the increase in LO associated with the passage of time. Cash expenditures for the LO for the three and six months ended June 30, 2019 were \$398 and \$793 respectively.

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

LIQUIDITY AND CAPITAL RESOURCES

Corporate working capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. As new reserves are added and as the financing needs of the Company are expanded, Journey may apply for interim reviews of the credit facility with a view to upgrading it. The source of the funding for the capital expenditures in the respective periods was as follows:

Capital Program Funding	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Funds flow	7,158	5,305	35	14,880	10,445	42
Transaction costs	(10)	(12)	(17)	(17)	(49)	(65)
Decommissioning costs incurred	(83)	(78)	6	(309)	(692)	(55)
Change in non-cash working capital	4,263	(1,387)	407	2,548	1,352	88
Increase (decrease) in bank debt & bank indebtedness	(8,000)	(1,000)	700	(8,009)	(4,000)	100
Decrease (increase) in cash in bank	4,455	4,672	(5)	(335)	8,159	(104)
Issuance of promissory notes	-	-	-	-	22,000	(100)
Share repurchase	-	-	-	-	(21,336)	100
Settlement of RSU's	(17)	(1)	1,600	(32)	(7)	357
Issuance of equity	47	-	-	47	-	-
Net cash capital expenditures	7,813	7,499	4	8,773	15,872	(45)

For the three months ended June 30, 2019, the Company funded its \$7,813 in net capital expenditures primarily from funds flow from operations, and the remainder with bank debt.

As at June 30, 2019 the bank debt outstanding was \$68,500, representing approximately 76% of the total available credit facilities of \$90,000. Journey continues to evaluate the possibility of disposing of non-core assets. Journey plans to continue evaluating small accretive acquisitions that will enhance existing core areas in terms of drilling prospects and infrastructure control. The Company intends to fund its 2019 capital program through a combination of funds flow from operations as well as the available bank credit lines. Journey currently expects these resources to be sufficient to fund its capital program which is focused on maintaining production at current levels.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the banks. The amount of available credit is based primarily upon the value of petroleum and natural gas assets. The most recent formal evaluation by our external engineers determined these reserve values as at December 31, 2018. The credit facility is also subject to a semi-annual borrowing base review in October of each year.

The working capital deficiency as at June 30, 2019 was \$80,482 (current assets minus current liabilities) and is made up of the current portion of bank borrowings of \$68,500 plus the working capital deficiency of \$11,982. The bank debt is renewable each year after a new, year-end, independent engineer report has been created. The working capital deficiency is dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues and any proceeds from the disposition of assets. A certain amount of working capital deficiency is normal in the industry and varies widely from company to company based on their specific funds flow and spending patterns. With the recent renewal of the credit facility in May of 2019 the maturity date has been extended until April 30, 2020.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three and six month periods ended June 30, 2019.

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) Natural gas transportation

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

	Total	2019	2020 - 2021	2022 - 2023
Natural gas transportation	820	359	430	31

(b) Indemnifications

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

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SUSEQUENT EVENTS

Subsequent to June 30, 2019 the Company entered into a hedge as follows: crude oil WTI collar of 500 barrels per day of \$53.00 USD/barrel to \$64.05 USD/barrel for the period of August 1, 2019 to December 31, 2019.

SHARE CAPITAL

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

<i>Outstanding</i>	August 6, 2019	June 30, 2019	December 31, 2018
Common shares outstanding	39,280	39,262	39,218
Options, warrants, restricted share and performance share awards	6,560	6,613	6,789
Fully diluted shares	45,840	45,875	46,007

Weighted average	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Basic	39,247	38,546	2	39,236	40,860	(4)
Diluted	39,247	38,546	2	39,236	40,860	(4)

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Jun 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep 30, 2018
Production (boe/d)	9,248	9,330	9,921	10,227
Average prices realized (\$/boe, excluding hedging)	32.56	33.94	22.34	36.17
Petroleum and natural gas sales	27,400	28,498	20,390	34,032
Net income (loss)	(12,559)	(4,087)	(16,180)	202
Basic – per share (\$/share)	(0.32)	(0.10)	(0.41)	0.01
Diluted – per share (\$/share)	(0.32)	(0.10)	(0.41)	0.01
Funds flow	7,158	7,722	(42)	7,890
Basic – per share (\$/share)	0.18	0.20	-	0.20
Diluted – per share (\$/share)	0.17	0.19	-	0.20
Cash flow from operating activities	5,472	6,313	(4,638)	10,631
Total assets	406,974	410,018	380,724	405,989
Net capital expenditures	7,813	960	1,125	9,647
Long term financial liabilities	366,156	331,280	304,062	214,354
Net debt	128,451	127,769	134,635	132,851
Dividends paid	-	-	-	-

	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Production (boe/d)	10,036	10,117	10,521	10,088
Average prices realized (\$/boe)	34.69	31.78	31.32	25.29
Petroleum and natural gas sales	31,685	28,934	30,311	23,471
Net earnings (loss)	(12,325)	(9,144)	(138,841)	(6,059)
Basic – per share (\$/share)	(0.32)	(0.21)	(2.72)	(0.12)
Diluted – per share (\$/share)	(0.32)	(0.21)	(2.72)	(0.12)
Funds flow	5,305	5,140	9,829	4,843
Basic – per share (\$/share)	0.14	0.12	0.19	0.10
Diluted – per share (\$/share)	0.13	0.12	0.19	0.09
Cash flow from operating activities	26	9,396	11,309	16,502
Total assets	409,094	413,802	416,983	532,161
Net capital expenditures	7,499	8,373	11,328	9,408
Long term financial liabilities	225,331	224,600	201,759	195,070
Net debt	130,606	128,215	103,021	103,385
Dividends paid	-	-	-	-

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 second quarter of 2019 production volumes averaged 9,248 (53% natural gas) which was a 1% decline from the first quarter. Realized prices decreased 4% from the first quarter to average \$32.56/boe. This decline was led by a 55% decline in natural gas prices from the first quarter. Capital spending was primarily devoted to drilling 3 (3.0 net) wells in Matziwin. The two "earning" wells under Journey's Duvernay joint venture were placed on-production in the quarter with Journey having a 3.75% royalty on the production from these wells.
- Alberta benchmark oil prices rebounded in the first quarter of 2019 to average \$66.92/bbl as compared to \$48.27/bbl in the fourth quarter of 2018. The Alberta Government production curtailment initiative was instrumental in reversing the inordinately low oil prices experienced in the fourth quarter of 2018. The low oil prices caused Journey to experience a small negative funds flow of \$46 in the fourth quarter, however this was reversed into a positive amount of \$7,722 during the first quarter of 2019. Capital was limited to necessary expenditures as only \$960 was spent during the quarter, with no wells being drilled. As a result of no new wells being drilled, production volumes declined to 9,330 boe/d as compared to 9,921 boe/d in the fourth quarter of 2018. Journey exited the first quarter with \$128 million of net debt. Journey's anticipated entry back into its drilling program will occur in May of 2019.
- During the fourth quarter of 2018 production volumes averaged 9,921 (54% natural gas). Realized prices decreased 38% to average \$22.34/boe. This decline was led by the decrease in oil prices by 54% from the third quarter resulting from historic WTI/Canadian par differentials. Realized natural gas prices helped offset some of the negative oil price impact with a 48% increase from the third quarter and mainly attributable to the price diversification strategy Journey employed into the US markets. Capital spending was maintenance only as Journey spent \$1,126. Due to the uncertainty surrounding oil price direction, Journey did not drill any new wells in the fourth quarter. The Alberta Government imposed production restrictions on producers that will become effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month and in November. These did not impact Journey's production Journey entered into a farm out with an industry partner to develop its 140 sections of Duvernay, oil- prospective lands. Drilling by this partner commenced with two wells spud in December.
- In the third quarter of 2018 Journey had production volumes of 10,227 boe/d (52% natural gas). Realized prices improved to an average of \$36.17/boe in the third quarter compared to \$34.69 in the second quarter. The increase in average prices were led primarily by a 45% increase in realized natural gas prices, while oil prices and NGL prices declined 3% and 17% respectively. Natural gas prices are adjusting to seasonal averages in the third quarter but continue to be challenged by egress issues despite the previous cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 3 (3.0 net) wells in Skiff during the quarter. One well was placed on production during the third quarter and two will carry over into the fourth quarter. \$9,986 was spent on exploration and development while the Company had net dispositions of \$342 in the quarter. Hedging losses were the largest drag on both Funds Flow and net income as they amounted to \$4,903 of realized losses and \$2,314 of unrealized gains for a net hedging loss of \$2,589 during the quarter.
- In the second quarter of 2018 Journey had production volumes of 10,036 boe/d (53% natural gas). Realized prices improved to an average of \$34.69/boe led primarily with a 22% increase in realized oil prices from the first quarter. Natural gas prices continue to be challenged as corporate realized prices of \$1.11/mcf were 42% lower than the first quarter despite a cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 4 (4.0 net) wells in the quarter. All of these wells will be placed on-production in the third quarter. \$10,283 was spent on exploration and development while the Company had net dispositions of \$2,801 of minor, non-core assets in the quarter. Hedging losses were a drag on both Funds Flow and net income as they amounted to \$3,976 of realized losses and \$8,298 of unrealized losses in the quarter.

- On February 2, 2018 Journey bought 12,700 of its common shares from a significant shareholder for cancellation for a cost of \$21,336 (\$1.68 per share). The repurchase was funded with the issuance of \$22,000 of term debt. In the first quarter of 2018 production averaged 10,117 boe/d (53% natural gas) compared to 10,521 boe/d (54% natural gas). Realized prices before hedging averaged \$31.78/boe as compared to \$31.32/boe in the fourth quarter of 2017. Journey spent \$8,373 in capital during the quarter which included land acquisitions and drilling 2 (2.0 net) wells in the Matziwin area.
- During the fourth quarter of 2017 production volumes were 10,521 boe/d (54% natural gas) compared to third quarter volumes of 10,088 (55% natural gas). Journey spent \$11,328 in the quarter which included drilling 2 (2.0 net) wells. All three were placed on production at various times during the quarter. Average commodity prices were higher in the fourth quarter at \$31.32/boe as compared to \$25.29/boe in the third quarter. Natural gas prices continued to stay low and averaged \$1.49/mcf during the quarter as compared to \$1.32/mcf in the third quarter. Funds Flow was \$9,829 in the fourth quarter as compared to \$4,843 in the third quarter. During the fourth quarter the Company de-recognized \$104,115 in deferred tax assets as the decline in forward-looking natural gas prices caused Management to re-evaluate the probability of using their large tax pool position. In addition, Journey had net impairments of \$39,599 for PP&E and E&E assets in the quarter attributable to the lower natural gas prices in the independent reserve engineers report at December 31, 2017.
- During the third quarter of 2017 production volumes were 10,088 boe/d compared to third quarter volumes of 10,194. Two newly drilled wells were placed on production in the quarter and this was enough to stabilize the declines on existing corporate production. Average commodity prices were lower than in the third quarter at \$25.29/boe as compared to \$31.92/boe. Natural gas prices took a sharp downward turn in the quarter and averaged only \$1.32/mcf (excluding hedging gains) from \$2.70/mcf in the third quarter. Funds Flow was \$4,843 in the fourth quarter as compared to \$9,707 in the third quarter. Journey drilled 5 (5.0 net) wells in the quarter with net cash capital spending at \$9,408.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three and six months ended June 30, 2019 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2018.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2018 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2018 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The December 31, 2018, audited consolidated financial statements are available on SEDAR at www.sedar.com.

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

CHANGES IN ACCOUNTING POLICIES

Accounting Standards adopted in 2019 – IFRS 16 “Leases”

On January 1, 2019, Journey adopted IFRS 16 and selected the modified retrospective approach. We also elected to exempt short-term leases and leases of low value assets. We conducted an examination of our lease contracts that are significant in nature and therefore not exempt.

On adoption, the Company recognized lease obligation liabilities, in relation to leases under principles of the new standard measured at their present value of the remaining lease payments discounted using the Company's incremental borrowing rate as of January 1, 2019 of approximately 5.5%. At adoption Journey also recognized an equivalent amount of Right of use (“ROU”) assets that are included in property, plant and equipment. The ROU assets and lease obligations recognized are primarily related to Journey's head office lease. In addition, as required under IFRS 16, upon adoption the deferred lease obligation of \$326 was offset against the ROU asset. The initial lease obligation recognized was \$6,919, of which \$1,218 was current. The ROU asset is included in property plant and equipment and depreciated over the remaining life of the leases.

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

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. The credit facility was renewed in May and will mature on April 30, 2020. If the facilities are not renewed by the syndicate in April of 2020, all amounts drawn under the facility outstanding will become due and payable. As part of the May renewal, the credit facility was amended to include new compliance, consent and reporting requirements related to Journey's provincial liability management rating, as well as providing the syndicate with details of the calculation of Journey's future abandonment and reclamation costs.

The amount available under the facility is highly dependent on the Company's independent engineering reserve report, as well as other factors, many of which are not within the control of the Company. The borrowing base underlying the credit facility is subject to a semi-annual review, with the next one scheduled for October of 2019.

Liquidity risk is impacted by the current state of the oil and gas industry in Canada. The industry has recently experienced unprecedented, volatile commodity prices; curtailments on production (Journey is currently exempt from curtailments); reduced capital being available to the industry; and a general reduction in the number and value of oil and natural gas purchase and sale transactions (which restricts the ability to dispose of assets).

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

The following table details Journey's financial liabilities as at June 30, 2019:

	< 1 year	1 - 2 years	3 - 5 years	Total
Accounts payable and accrued liabilities	24,830	-	-	24,830
Derivative contracts	47	-	-	47
Bank Debt - principal	68,500	-	-	68,500
Promissory notes - principal	-	30,000	22,000	52,000
Interest on bank debt	5,110	-	-	5,110
Interest on promissory notes	3,986	2,454	2,107	8,547
Total	102,473	32,454	24,107	159,034

Credit Risk

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

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to

mitigate any payment risk. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. On a regular basis, the Company assesses the potential for bad debts associated with these parties and provides for accordingly.

Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 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 Company currently has a revolving bank credit facility of \$90,000. The facility is a 365 day revolving facility from a syndicate of lenders with a maturity date of April 30, 2020. The amount available under the facility is highly dependent on the Company's independent engineer reserve report, as well as other factors, many of which are not within the control of the Company. The borrowing base of the credit facility is subject to a semi-annual review, which is anticipated to be concluded in October of 2019. The credit facilities are secured by a \$500,000 fixed and floating charge debenture over all the assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. Journey is also subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all such covenants as at June 30, 2019. The credit facility contains customary restrictions on the disposition of assets and the granting of security, as well as on the making of distributions if there is a default under the facility.

Access to Capital Markets

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

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

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

Land and producing assets are becoming increasingly scarce and more expensive. The Company mitigates these risks by developing its core areas to gain efficiencies. In addition, the Company participates in several farm-in

opportunities wherein its exposure to increasing land prices is minimized. For riskier, exploration projects, the Company will solicit partner participation to limit the downside exposure.

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs are decreasing each year

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

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

Administrative Risks

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

Competition

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

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and

facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is currently 2.1 and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's Chief Executive Officer and Chief Financial Officer are responsible for establishing and managing internal control over financial reporting ("ICFR"). They have as at the interim period ending June 30, 2019, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

There were no changes in the Corporation's ICFR that occurred during the period beginning on April 1, 2019 and ended on June 30, 2019 that have materially affected or are reasonably likely to materially affect, the Corporation's ICFR.

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

The June 30, 2019 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.