



MANAGEMENT'S DISCUSSION AND ANALYSIS – FOURTH QUARTER, 2023

The following Management's Discussion and Analysis ("MD&A") was prepared on March 12, 2024 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three and twelve month periods ended December 31, 2023 and 2022. This MD&A should be read in conjunction with the audited, consolidated financial statements of the Company for the three and twelve months ended December 31, 2023 and 2022 along with the notes related thereto.

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

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.

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

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

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

NON-GAAP MEASURES

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

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

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

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Cash flow provided by operating activities	31,278	25,346	23	66,643	106,623	(37)
Add (deduct):						
Changes in non-cash working capital	(14,099)	(3,427)	311	(5,222)	(10,521)	(50)
Transaction costs	-	1,266	(100)	24	1,489	(98)
Decommissioning costs	1,197	1,705	(30)	4,695	3,796	24
Adjusted Funds Flow	18,376	24,890	(26)	66,140	101,387	(35)

“Netbacks” is a term used throughout these MD&A. The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers netbacks as a key performance measure as it demonstrates the Company’s profitability relative to current commodity prices. Management also uses them in operational and capital allocation decisions. Journey uses three types of netbacks to assess its own performance and its performance in relation to its peers. These netbacks are operating, Adjusted Funds Flow and net income (loss). **“Operating netback”** is calculated as the average sales price of the commodities sold (excluding financial hedging gains and losses), less royalties, transportation costs and operating expenses. **“Adjusted Funds Flow netback”** begins with the operating netback and deducts general and administrative costs, interest costs and then adds or deducts any realized gains or losses on derivative contracts. To

calculate the “**net income (loss) netback**”, Journey takes the Adjusted Funds Flow netback and then adds or deducts: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; asset impairments and reversals; exploration and evaluation expenses; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

“**Net operating expenses**” are calculated by taking the operating expenses in the statement of profit and loss and subtracting the ancillary income related to Journey’s field activities, which is reflected in the statement of profit and loss as “other income”. The activities that generate this income include: processing income from jointly or wholly owned natural gas plants and oil batteries; oil treating income; transporting third party natural gas and oil through gathering and sales pipelines; and water disposal fees. Journey considers this income ancillary to its main operations as the various operations which generate this income also process Journey’s production. They are not considered separate profit centers and immaterial internal resources are devoted to generating this income. Therefore, for purposes of these MD&A, Journey considers it more relevant to show this income as a cost recovery and therefore nets these amounts with field operating expenses. In addition, operating expenses related to Journey’s power generation asset in Countess are subtracted from the financial statement number to get to net operating expenses that relate solely to the Company’s exploration and production operations. Management believes that showing this adjusted operating expense number provides better information for to make decisions on its primary business and allows for better peer company comparisons.

“**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:

	Dec. 31, 2023	Dec. 31, 2022	%
			Change
Term debt ¹	43,763	67,580	(35)
Vendor-take-back debt ¹	17,000	43,000	(60)
Accounts payable and accrued liabilities	47,214	45,496	4
Other liability - contingent bank debt ¹	-	5,000	(100)
Other loans	419	419	-
<u>Deduct:</u>			
Cash in bank	(17,715)	(31,400)	(44)
Accounts receivable	(24,734)	(29,677)	(17)
Prepaid expenses and deposits	(4,271)	(1,650)	159
Net debt	61,676	98,768	(38)

1. Principal amount of the debt.

Abbreviations and BOE Advisory

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

<i>AIMCo</i>	<i>Alberta Investment Management Corporation</i>
<i>API</i>	<i>American Petroleum Institute</i>
<i>bbl</i>	<i>Barrel</i>
<i>bbls</i>	<i>Barrels</i>
<i>boe</i>	<i>barrels of oil equivalent (see conversion statement below)</i>
<i>boe/d</i>	<i>barrels of oil equivalent per day</i>
<i>gj</i>	<i>Gigajoules</i>
<i>GAAP</i>	<i>Generally Accepted Accounting Principles</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>Mbbls</i>	<i>thousand barrels</i>

<i>Mboe</i>	<i>thousand boe</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mmcf</i>	<i>million cubic feet</i>
<i>Mmcf/d</i>	<i>million cubic feet per day</i>
<i>MSW</i>	<i>Mixed sweet Alberta benchmark oil price at Edmonton Alberta</i>
<i>MW</i>	<i>One million watts of power</i>
<i>NGL's</i>	<i>natural gas liquids (ethane, propane, butane and condensate)</i>
<i>VTB</i>	<i>Vendor-take-back term debt issued by Journey to Enerplus Corporation as partial payment of the purchase price for the asset acquisition on October 31, 2022</i>
<i>WCS</i>	<i>Western Canada Select benchmark oil price. This crude oil is heavy/sour with API gravity of 19-22 degrees and sulphur content of 1.8-3.2%.</i>
<i>WTI</i>	<i>West Texas Intermediate benchmark Oil price. This crude oil is light/sweet with API gravity of 39.6 degrees and sulfur content of 0.24%.</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 Twelve (6) thousand cubic feet (“Mcf”) to one (1) barrel. Use of the term “boe” may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel (“Bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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

All volumes in these MD&A refer to the sales volumes of crude oil, natural gas and associated by-products measured at the point of sale to Fourth-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 FOR THE THREE MONTHS ENDED DECEMBER 31, 2023

Financial

Journey recorded Adjusted Funds Flow of \$18,376 in the fourth quarter of 2023 as compared to \$18,513 in the third quarter. While there was an increase of 7% in average sales volumes quarter over quarter, which was mainly due to a successful fourth quarter drilling program, commodity prices decreased by 11% from the previous quarter and therefore Adjusted Funds Flow was consistent with the prior quarter. Cash flow from operating activities was \$31,278 in the fourth quarter of 2023 as compared to \$11,569 in the third quarter. The fourth quarter generated net income of \$3,440 or \$0.06 per basic share and \$0.05 per diluted share.

Capital spending

The Company spent \$23,672 in its development and power capital programs during the fourth quarter of 2023. \$9.3 million of capital was spent on power assets during the quarter and \$11.2 million was spent on drilling and

completion work for the fourth quarter drilling program. In addition, Journey spent \$1.1 million in abandonment and reclamation work during the quarter.

Sales volumes

Journey achieved sales volumes of 12,595 boe/d (55% crude oil and NGL's). Quarter over quarter volumes were 7% higher from the third quarter as compared to the fourth quarter of 2023. Offsetting natural declines was a successful 9 (8.1 net) drilling program during the fourth quarter. Seven of the nine wells were placed on-production during the quarter.

Liquidity

During the fourth quarter of 2024 capital spending of \$18.2 million was almost identical to the Adjusted Funds Flow (\$18.4 million). During the fourth quarter, Journey made \$6.0 million of repayments on its vendor-take-back debt. Throughout 2023 Journey repaid \$49.8 million of its term debt obligations. As at December 31, 2023 the vendor-take-back outstanding balance was \$17.0 million while the AIMCo balance was \$43.6 million. Net debt came in at \$61,676 as at December 31, 2023, which was 38% lower than the \$98,768 at December 31, 2022 and resulting in a 0.8 times net debt to annualized fourth quarter Adjusted Funds Flow ratio.

Outlook

Journey continued to repay its term debt obligations in a timely manner while advancing its drilling program and power generation projects. For 2024, Journey's drilling program is weighted towards the first quarter of the year wherein all three planned Medicine Hat oil wells have already been drilled.

Journey's current 2024 guidance, as originally issued on December 21, 2023 is presented in the table below:

	December 21, 2023
Annual average daily sales volumes	11,500–12,000 boe/d (55% crude oil & NGL's)
Adjusted Funds Flow	\$70 – 73 million
Adjusted Funds Flow per weighted average share	\$1.14 - \$1.19
Capital spending	\$41 million
Year end 2024 Net Debt	\$28 - \$31 million
Net Debt to Adjusted Funds Flow ratio	0.4x
<u>Reference commodity prices:</u>	
WTI (USD \$/bbl)	\$75.00
MSW oil differentials (USD \$/bbl)	\$3.75
WCS oil differentials (USD \$/bbl)	\$16.50
AECO natural gas (CAD \$/mcf)	\$2.75
CAD/USD foreign exchange	\$0.74

Notes:

1. The weighting of the boe corporate sales volumes guidance is as follows:
 - a. Heavy crude oil: 19%
 - b. Light/medium crude oil: 25%
 - c. NGL's: 11%
 - d. Coal-bed methane natural gas: 5%
 - e. Conventional natural gas: 40%

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Total daily sales volumes increased 10% to 12,595 boe/d for the fourth quarter of 2023 from 11,496 boe/d in the fourth quarter of 2022. The increase was mainly attributable to the asset acquisition from October of 2022 which added approximately 4,000 boe/d (71% crude oil and NGL's). For the twelve-month periods, daily sales volumes increased 27% to 12,415 boe/d for 2023 from 9,778 boe/d in 2022.

	Three months ended Dec. 31			Twelve months ended Dec. 31		
	2023	2022	Change %	2023	2022	Change %
Natural gas (Mcf/d)						
Conventional	29,754	27,929	7	29,661	25,492	16
Coal bed methane	4,343	4,011	8	4,238	4,293	(1)
Total natural gas volumes	34,097	31,940	7	33,899	29,785	14
Crude oil (Bbl/d)						
Light/medium	3,317	3,378	(2)	3,343	2,922	14
Heavy	2,313	1,616	43	2,148	904	138
Total crude oil volumes	5,630	4,994	13	5,491	3,826	44
Natural gas liquids (Bbl/d)	1,282	1,179	9	1,274	988	29
Barrels of oil equivalent (boe/d)	12,595	11,496	10	12,415	9,778	27

Volumetric Product Mix

Journey's product mix shifted more towards an oil weighting during the fourth quarter of 2023 as the impact of the October, 2022 acquisition had a positive impact on the oil weighting. Natural gas sales contributed 45% (2022 – 46%) of total sales volumes; crude oil volumes were 45% (2022 – 44%) and NGL's were 10% (2022 – 10%). For the year-to-date in 2023 natural gas sales volumes contributed 46% (2022 – 51%); crude oil volumes were 44% (2022 – 39%) and NGL's were 10% (2022 – 10%)

% of Aggregate Production	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Natural gas	45	46	(2)	46	51	(10)
Crude oil	45	44	2	44	39	13
Natural gas liquids	10	10	-	10	10	-
Total	100	100		100	100	

Average Benchmark Price Indices

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Crude Oil						
WTI (US\$/Bbl)	78.32	82.65	(5)	77.63	94.23	(18)
Canadian light sweet (CDN\$/Bbl)	97.55	108.23	(10)	99.87	119.75	(17)
WTI/light sweet differential (US\$/Bbl)	(6.75)	(2.64)	156	(3.63)	(1.93)	88
WCS (CDN\$/Bbl)	76.86	77.39	(1)	79.53	98.51	(19)
WTI/WCS differential (US\$/Bbl)	(21.96)	(25.49)	(14)	(18.70)	(18.17)	3
Natural Gas						
NYMEX (US \$/Mmbtu)	2.74	5.55	(51)	2.54	6.42	(60)
AECO - Daily (CDN\$/Mcf)	2.30	5.24	(56)	2.65	5.43	(51)
Foreign Exchange						
Canadian to US	1.3619	1.3580	-	1.3495	1.3017	4
US to Canadian	0.7343	0.7364	-	0.7411	0.7688	(4)

WTI oil prices decreased 5% in the fourth quarter of 2023 to average \$78.32 US/bbl as compared to \$82.65 US/bbl in the fourth quarter of 2022. For the entire year of 2023, WTI was 18% lower than in 2022. Monthly WTI prices settled in a wide range throughout 2023 of US\$70-89. A variety of factors caused this trading range including issues that pushed the prices higher, which included ongoing crude oil inventory drawdowns, robust global demand, and OPEC's supply discipline. Issues that pressured WTI lower included ongoing recession concerns due to escalating interest rates and abating supply concerns. Canadian light sweet prices were similarly impacted as the average price of \$97.55/bbl in the fourth quarter of 2023 was 10% lower than the \$108.23 realized in the same quarter of 2022. Differentials for both light sweet oil and WCS oil were very high in the latter portion of the fourth quarter of 2023 as the completion of the TMX pipeline expansion continued to have delays. The WTI/Light Sweet oil price differential widened by 156% from \$2.64/bbl in the fourth quarter of 2022 to \$6.75/bbl in the fourth quarter of 2023 while for the year to date this differential widened by 88% from \$1.93 in 2022 to \$3.63 in 2023. The heavier oil benchmark for WCS was 14% lower for the fourth quarter of 2023 compared to the fourth quarter of 2022, while it was only 3% higher for the full year of 2023 compared to 2022. Approximately 41% of Journey's crude oil sales for the fourth quarter of 2023 was exposed to WCS prices.

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 56% lower at \$2.30/mcf in the fourth quarter of 2023 as compared to \$5.24/mcf during the same period in 2022. The combination of a warm 2022-23 winter and the declining concerns in Europe over sufficient natural gas/LNG supplies had a dampening effect on domestic natural gas prices with five-year storage levels being at or near the top end of their range.

Realized Prices

- a) Realized prices excluding physical commodity contract gains were as follows:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Natural gas (\$/Mcf)	2.29	5.39	(58)	2.55	5.38	(53)
Crude oil (\$/Bbl)	83.49	91.01	(8)	84.89	105.47	(20)
Natural gas liquids (\$/Bbl)	44.61	60.90	(27)	45.16	64.69	(30)
Average (\$/boe)	48.06	63.82	(25)	49.54	66.00	(25)

Overall average realized per boe prices (before hedging) were 25% lower at \$48.06 in the fourth quarter of 2023 as compared to \$63.82 in the fourth quarter of 2022. This overall decline was comprised of declines in prices (by commodity type) of 58% for natural gas prices, 8% for crude oil and 27% for NGL's. For the year-to-date the overall realized prices per boe were 25% lower in 2023 as compared to 2022. This decline was comprised of a decline in natural gas prices by 53%; crude oil 20% and NGL's of 30%.

- b) Journey had physical oil hedges during the first half of 2023. Realized prices including physical commodity contract gains are as follows:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Natural gas (\$/Mcf)	2.29	6.49	(65)	2.70	5.97	(55)
Crude oil (\$/Bbl)	83.93	91.09	(8)	85.21	105.50	(19)
Natural gas liquids (\$/Bbl)	44.61	60.90	(27)	45.16	64.69	(30)
Average (\$/boe)	48.26	63.85	(24)	49.68	66.01	(25)

As at December 31, 2023 there were no physical hedges outstanding.

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

In the fourth quarter of 2023, aggregate P&NG sales decreased 17% to \$55,914 as compared to \$67,531 for the same period in 2022. The decrease in sales revenue was mainly the result of the 24% decrease in average realized commodity prices even though sales volumes increased by 10%. Crude oil revenue made up the most significant portion of total revenues at 78% while contributing 45% to total boe sales volumes.

For the twelve months ended December 31, aggregate P&NG sales decreased by 4% to \$225,149 in 2023 from \$235,583 in 2022. While sales volumes increased by 27% primarily from the acquisition in 2022, the decrease in average, realized commodity prices of 25% offset the impact of additional volumes sold. Journey's crude oil revenue, which carries higher per boe prices, made up 77% of corporate revenues for the year to date in 2023 while contributing 44% of total boe sales volumes.

\$	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Natural gas	7,180	15,841	(55)	31,499	58,539	(46)
Crude oil	43,243	41,811	3	170,136	147,280	16
Natural gas liquids	5,262	6,604	(20)	21,002	23,327	(10)
Physical oil and natural gas hedging	229	3,275	(93)	2,512	6,437	(61)
P&NG sales	55,914	67,531	(17)	225,149	235,583	(4)

Sales - % Contribution	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Natural gas	13	28	(54)	14	28	(50)
Crude oil	78	62	26	77	62	24
Natural gas liquids	9	10	(10)	9	10	(10)
Total	100	100		100	100	

ROYALTIES

For the three months ended December 31, royalties were \$12,108 in 2023 as compared to \$13,509 for the same period in 2022 and representing a 10% increase. On a per boe basis, the royalty rate was decreased by 18% to \$10.45 in 2023 as compared to \$12.78 from the same quarter of last year. The decrease per boe paralleled the decrease in average realized commodity prices of 26%. As a percentage of revenue, the rate for the fourth quarter of 2023 was 9% higher in 2023 at 21.7%, as compared to 20.0% for the same quarter of 2022. While average commodity prices decreased quarter to quarter, the higher overall royalty rate associated with the crude oil volumes from the acquisition in 2022 offset the price decrease thereby yielding the increase in the royalty rate as a percentage of revenues.

For the twelve months ended December 31, aggregate royalty expense was \$46,980 in 2023 as compared to \$46,976 for the same period in 2022. On a per boe basis, the royalty rate decreased 21% to \$10.37 in 2023 as compared to \$13.16 in 2022. As a percentage of revenue, the rate for the twelve months of 2023 was 20.9% or 5% higher than the 19.9% realized in 2022.

Benchmark Canadian light, sweet oil prices decreased 10% in the fourth quarter of 2023 and 17% for the twelve months ended December 31, 2023 as compared to the respective periods of 2022. Similarly, benchmark AECO natural gas prices decreased by 56% for the three month period and 51% for the twelve month period of 2023 as compared to 2022.

\$	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Crown	8,434	9,694	(13)	31,993	34,090	(6)
Freehold/gross over-riding	3,674	3,815	(4)	14,987	12,886	16
Total royalties	12,108	13,509	(10)	46,980	46,976	-
Royalties (as a % of P&NG sales)	21.7	20.0	9	20.9	19.9	5

\$/boe	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Crown	7.28	9.16	(21)	7.06	9.55	(26)
Freehold/gross over-riding	3.17	3.61	(12)	3.31	3.61	(8)
Total royalties	10.45	12.77	(18)	10.37	13.16	(21)

PROCESSING AND OTHER INCOME

Processing and other income is comprised of the following components. First, third-party natural gas processing fees; oil treating; natural gas gathering and compression fees are what Journey considers to be operating cost recoveries and are directly tied to, or are ancillary to the Company's own field operations. For presentation in these MD&A Journey nets this income with field operating costs (see Operating Expense section below). Second is Journey's electricity generation business. Journey's Countess power facility produces and delivers electricity to Alberta's power grid. Third, is miscellaneous other income. Included in this category for the twelve months of 2023 is \$167 of income related to government grants from the Government Site Rehabilitation Program. The breakdown of processing and other income by category is as follows:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Processing and other cost recoveries ¹	1,534	943	63	4,155	3,890	7
Electricity income before expenses ²	420	1,978	(79)	3,861	5,731	(33)
Other income ³	289	849	(66)	733	1,747	(58)
Processing and other income per the financial statements	2,243	3,770	(41)	8,749	11,368	(23)

Notes:

1. Processing income and other cost recoveries are netted with operating expenses as described below in the Operating Expense section.
2. See electricity income analysis below.
3. Other income represents earned subsidies from the Government Site Rehabilitation plus other miscellaneous income.

Electricity income

Electricity income, net of associated operating expenses, decreased by 102% in the fourth quarter of 2023 to a loss of \$21 as compared to income of \$1,378 in the same quarter of 2022. The reduction in operating income was due primarily to one-time expenditures totalling \$679 spent repairs to the two Countess generators. These expenditures will have a lasting impact over many quarters to come. The MW generated in the fourth quarter of 2023 was impacted by an over-haul on the Countess generator in November leading to significant downtime in the fourth quarter. In addition, the warm December caused electricity prices to be much lower than in the same quarter of 2022 wherein Journey averaged \$95.16/MW while in the same quarter of 2022 it was \$241.25/MW. For the year to date power revenues decreased by 38% which was mainly attributable to the 21% lower MW generated in 2023 as compared to 2022. The overhauls of the generator in 2023 caused the MW's generated to be lower than those achieved in 2022.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Electricity income	420	1,978	(79)	3,861	5,731	(33)
Operating expenses ¹	(441)	(600)	(27)	(2,671)	(2,438)	10
Net electricity income	(21)	1,378	(102)	1,190	3,293	(64)
Megawatts generated	4,714	8,199	(43)	24,723	31,167	(21)
Realized prices (\$/MW):	95.16	241.25	(61)	155.72	183.88	(15)

Note:

1. Operating expenses related to electricity income have been reclassified to this section - see the Operating Expense section below.

OPERATING EXPENSES

Net operating expenses were \$19,719 or \$17.02 per boe for the fourth quarter of 2023 as compared to \$24,998, or \$23.64 per boe in 2022. For the twelve months ended December 31, net operating costs were \$91,557 or \$20.20 per boe in 2023 as compared to \$72,356 or \$20.27 per boe in 2022. Lower aggregate costs in the fourth quarter of 2023 were primarily associated with significantly lower field power costs. The warm start to the 2023-2024 winter lead to some of the lowest electricity prices the industry has seen in years. These prices continually decreased in the quarter to a low of \$52.05/MWh in December. Offsetting some of these savings were \$3,189 of expense projects (workovers, site clean-ups, and facility turnarounds) in the fourth quarter of 2023 and amounted to \$2.75/boe as compared to \$1,439 or \$1.36/boe in the fourth quarter of 2022. Workover and turnaround projects for the year-to date of 2023 amounted to \$10,795 or \$2.39/boe as compared to \$6,218 or \$1.74/boe in 2022.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Operating expense per the financial statements	21,694	26,542	(18)	98,383	78,684	25
Less:						
Expense recoveries	(1,534)	(943)	(63)	(4,155)	(3,890)	7
Power generation expenses	(441)	(600)	(27)	(2,671)	(2,438)	10
Net operating expenses	19,719	24,999	(21)	91,557	72,356	27
Net expense (\$ per boe)	17.02	23.64	(28)	20.20	20.27	-
Net expense (% of P&NG sales)	35.8	37.0	(3)	40.8	30.7	33

TRANSPORTATION

Transportation expenses were \$2,170 for the fourth quarter of 2023, and represented 3.9% of P&NG sales for the period as compared to \$914 and 1.4% for the same quarter of 2022. The cost per boe averaged \$1.87 in the fourth quarter, as compared to \$0.86 per boe in the fourth quarter of 2022. For the twelve months ended December 31, transportation expenses were \$5,121 for 2023 or 106% higher than \$2,485 for the comparable period in 2022. The higher aggregate costs were predominantly the result of transportation expenses associated with the acquisition that occurred in October of 2022 as the majority of the volumes were crude oil and NGL's. These costs also included firm service payments on a pipeline transportation contract inherited on the acquisition. On a per boe basis, costs were \$1.13 for the year to date in 2023 and \$0.70 for 2022. 13% higher crude oil sales volumes for the fourth quarter of 2023 and 44% for the year to date as compared to 2022 were the main reason for the increase in aggregate transportation expense. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of Fourth 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 Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Transportation expense	2,170	914	137	5,121	2,485	106
Expense (\$ per boe)	1.87	0.86	117	1.13	0.70	61
Expense (% of P&NG sales)	3.9	1.4	179	2.3	1.1	109

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE

For the fourth quarter of 2023, Adjusted G&A expense (before recoveries and capitalized G&A) was 10% lower at \$3,382 as compared to \$3,086 in 2022. Additional staff was added in late 2022 and early 2023 to accommodate the acquisitions that occurred in 2022, thereby increasing aggregate G&A. On a per boe basis Adjusted G&A expense was \$2.92 for the fourth quarter of 2023, which was the same amount as the fourth quarter of 2022 as higher sales volumes offset the higher aggregate costs.

For the twelve months ended December 31, 2023 Adjusted G&A expense (G&A before recoveries and capitalized G&A) was 7% higher at \$13,176 as compared to \$12,293 in 2022. On a per boe basis Adjusted G&A expense was \$2.91 in 2023 or 15% lower than \$3.44 in 2022. While the aggregate expense increased with additional activity from the acquisitions, the per boe rate dropped as the sales volumes increased by 27% for the year to date results in 2023 as compared to 2022.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Expense per the financial statements	2,016	2,173	(7)	8,470	8,854	(4)
Add (Deduct):						
Overhead recoveries	1,052	913	15	4,392	3,439	28
Capitalized G&A	314	-	-	314	-	-
Adjusted G&A expense (\$ per boe)	3,382	3,086	10	13,176	12,293	7
Expense per financial statements	1.74	2.05	(15)	1.87	2.48	(25)
Adjusted G&A expense	2.92	2.92	-	2.91	3.44	(15)

FINANCE EXPENSE

Finance expense is comprised of interest on term debt; amortization of financing fees; accretion of decommissioning obligations, accretion on right-of-use assets; and miscellaneous bank charges. Aggregate finance expenses decreased 32% from the fourth quarter of 2022 to the fourth quarter of 2023 mainly due to the repayment of term debt on both the vendor-take-back (“VTB”) financing related to the October, 2022 asset acquisition; as well as the repayment of AIMCo debt in March of 2023. The original VTB amount was \$45 million on closing in October of 2022, and monthly repayments totaling \$28 million were made in 2022 and 2023. The VTB debt bears interest at a fixed rate of 10% per annum.

Borrowing costs for the fourth quarter of 2023 decreased 26% to \$1,828 in 2023 from \$2,471 in 2022. For the fourth quarter of 2023, the average interest-bearing debt was \$63,100, which was 35% lower than the \$96,743 for the comparable period in 2022. The average effective interest rate on outstanding borrowings was 11.5% for 2023 as compared to 10.1% in 2022. The increase in the effective rate of interest was primarily caused by the repayment of lower costing AIMCo debt on March 31, 2023. On a per boe basis, the non-accretion related finance expense (i.e. interest on borrowings) was \$1.55 for the fourth quarter of 2023 as compared to \$2.33 for the same quarter in 2022, representing a 33% decrease, period over period.

For the twelve months to December 31, 2023 total finance expenses were 5% higher at \$15,540 as compared to \$14,811 in 2022. The two largest components of this expense are the interest incurred on borrowings of \$8,674 and the accretion on asset retirement obligations of \$6,363. Both the VTB debt and the increase in decommissioning obligations from the October 2022 acquisition were the most significant contributors to the higher finance costs in 2023.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Expense per the financial statements	3,457	5,062	(32)	15,540	14,811	5
Add (Deduct):						
Accretion expense	(1,543)	(1,788)	(14)	(6,363)	(5,723)	11
Other amortization costs	(121)	(806)	(85)	(541)	(1,763)	(69)
Bank fees and other charges	35	3	1,067	38	45	(16)
Expense related to borrowings	1,828	2,471	(26)	8,674	7,370	18
Average interest-bearing debt	63,100	96,743	(35)	80,142	74,930	7
Effective interest rate (%)	11.5	10.1	14	10.8	9.8	10
Finance expense (\$ per boe)						
Related to borrowings & fees	1.55	2.33	(33)	1.91	2.05	(7)
Accretion & other amortization	1.44	2.45	(41)	1.52	2.10	(28)
Total finance expense	2.99	4.78	(37)	3.43	4.15	(17)

SHARE BASED COMPENSATION

Share based compensation expense was \$818 for the fourth quarter of 2023 as compared to \$918 in 2022. For the twelve months to December 31 the aggregate expense was \$2,650 in 2023 as compared to \$2,086 in 2022. The lower stock based compensation in the fourth quarter was attributable to new long term incentive grants being at a lower price than those in 2022. For the year-to-date in 2023 share based compensation expense was higher as there were more incentives outstanding under accelerated vesting and at a higher price than what was experienced in 2022. The fair value of all share-based compensation was estimated based on the market price of Journey shares on the date of issuance with the calculated cost being amortized over the respective vesting periods. For performance share units an estimated performance multiplier of one times was used.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Expense per financial statements	818	918	(11)	2,650	2,086	27
Expense (\$ per boe)	0.71	0.87	(18)	0.58	0.58	-

DEPLETION AND DEPRECIATION ("D&D")

Aggregate D&D was \$11,120 in the fourth quarter of 2023 as compared to \$12,808 in the fourth quarter of 2022. The decrease in the aggregate D&D expense was primarily the result of lower capitalized ARO, which in turn was caused by a higher discount rate throughout 2023 as compared to 2022. On a per boe basis, D&D was \$9.60 for the fourth quarter of 2023 as compared to \$12.11 in the fourth quarter of 2022, representing a 21% decrease.

For the twelve months ending December 31, aggregate D&D increased by 33% from \$28,898 in 2022 to \$38,461 in 2023. The capital additions from the acquisitions in 2022 and the higher sales volumes caused the aggregate amount to be higher in 2023 as compared to 2022. However, on a per boe basis D&D was \$8.49 in 2023, a 5% increase from \$8.10 in 2022.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Depletion and depreciation (\$)	11,120	12,808	(13)	38,461	28,898	33
Expense (\$ per boe)	9.60	12.11	(21)	8.49	8.10	5

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 three months ended December 31, 2023 Journey incurred an expense of \$104, as compared to \$21 in 2022. For the twelve months ended December 31, 2023, the expense was \$495 as compared to \$1,946 in 2022. Journey experienced significantly more lease expiries in 2022 as compared to 2023.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
E&E expense	104	21	395	495	1,946	(75)
\$ per boe	0.09	0.02	350	0.11	0.55	(80)

In addition to the mineral lease expiries above, Journey evaluated whether there were any impairments on any of its remaining mineral rights. During the fourth quarter of 2023 it was found that, based on a review of comparable and recent land sales, that an impairment was warranted.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
E&E impairment expense	532	-	-	532	-	-
\$ per boe	0.46	-	-	0.12	-	-

GAIN ON DISPOSITIONS

Journey disposed on four minor, non-core assets during 2023 yielding total gains on dispositions as follows:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Gain on asset dispositions	-	-	-	3,421	-	-
\$ per boe	-	-	-	0.75	-	-

LOSS ON DEBT MODIFICATION

Journey entered into an amendment with respect to one tranche of AIMCo term debt on March 31, 2023. In this amendment, AIMCo consented to the extension of the maturity of \$24,807 from October 31, 2023 to April 30, 2024.

A second amendment was made on December 21, 2023 with respect to the repayment terms of all tranches of remaining AIMCo term debt. Previously, there was a balloon payment on April 30, 2024 for \$24.7 million and a second one on October 31, 2024 for \$19.1 million. These repayments will now be subject to smaller balloon payments with the balance being amortized over monthly amounts. For the first maturity in April, \$12.7 million of principal will be paid on April 30, 2024 and then repayments of \$1.0 million per month (plus accrued interest) will be paid from May 2024 to April of 2025. For the second maturity in October, \$10.1 million will be repaid on October 31, 2024 and then six monthly payments of \$1.5 million (plus accrued interest) will be made from November of 2024 to April of 2025.

While the principal amount of the AIMCo debt did not change, for accounting purposes, the amendments resulted in losses that were created by calculating the new present value of the principal amount of each tranche of debt and comparing those values to the existing book value of each respective tranche. The losses are being amortized over the remaining time to the new respective maturities.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Gain (loss) on debt modification	(533)	281	(290)	(708)	281	(352)
\$ per boe	(0.46)	0.27	(270)	(0.16)	0.08	(300)

DEFERRED INCOME TAXES

For the three month period ended December 31, 2023, there was a \$164 deferred income tax expense as compared to the \$89,405 deferred tax recovery in the same period of 2022. The large recovery in 2022 was mainly the result of the reversal of a previous valuation allowance with respect to Journey income tax pools. For the twelve months

year to date Journey recognized a deferred tax expense of \$4,136 as compared to a recovery of \$94,216 in 2022. Included in the fourth quarter, 2023 deferred tax expense was a flow through share expense of \$3,014, which represents the tax benefits foregone from renouncing tax deductions to shareholders. This expense was offset by \$2,435 of deferred tax recovery for the premium that the flow through shares were issued at in expense of the trading price at the date of issuance.

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Deferred tax expense (recovery)	164	(89,405)	(100)	4,136	(94,216)	(104)
Deferred tax expense (\$ per boe)	0.14	(84.54)	(100)	0.91	(26.40)	(103)

Journey has available approximately \$669,783 in deductible income tax pools for future utilization. Given Journey's significant tax pools, projected cash flows and its capital spending profile, the Company does not expect to be cash taxable for at least the next five years. The income tax pool balances, by category, at December 31, 2023, were as follows:

Category	Deductible rate	Amount
Canadian oil & gas property expenses	10% declining balance	153,427
Canadian development expenses	30% declining balance	41,219
Canadian exploration expenses	100%	35,649
Undepreciated capital costs	7-100% declining balance	73,534
Financing costs	5 year straight line	3,841
Non-capital losses	100%	362,113
Total		669,783

On March 18, 2023 the Company issued 3,040 thousand flow-through shares for gross proceeds of \$20,125. Under the terms of the flow-through share subscription agreements, the Company is obligated to renounce qualifying income tax expenditures to the subscribers for the gross amount of the proceeds before March of 2024. Qualifying expenditures are defined as eligible Canadian Development Expenses under the Income Tax Act. As at December 31, 2023 Journey had incurred \$13,104 of qualifying expenditures in satisfaction of this obligation and as of the date of these MD&A the entire spending obligation has been fulfilled.

NETBACKS

The operating netback of \$18.92 per boe for the fourth quarter of 2023 decreased 29% from \$26.58 for the same period in 2022. The decrease in the operating netback for the fourth quarter was mainly due to the 24% decrease in average realized commodity prices (including the impact of physical hedges) from the fourth quarter of 2022 to the same quarter of 2023. For the twelve months ended December 31, the operating netback was \$17.98 per boe for 2023, which was a 44% decrease from \$31.88 for 2022. Commensurate with the decrease in commodity prices, there was an 18% decrease in royalty expense in the fourth quarter and 21% decrease for the year to date. Operating expenses decreased by 28% to \$17.02/boe in the fourth quarter but stayed consistent for the year to date results at \$20.20 in 2023 versus \$20.27 in 2022.

The Adjusted Funds Flow netback per boe for the fourth quarter of 2023 was \$15.86 per boe, which was 33% lower than the \$23.54 in the same quarter of 2022. The most significant contributor to the lower netback in 2023 was the aforementioned 25% decrease in average commodity prices. However, this was partially offset by an 18% decrease in royalty expense and the 28% decrease in operating expenses. Interest on borrowings decreased 33% to \$1.55/boe in the fourth quarter of 2023 from \$2.33 in the fourth quarter of 2022. Lower aggregate interest costs in the fourth quarter were the result of significant debt repayments in March as well as the month payments on the VTB throughout 2023. For the twelve month periods, the Adjusted Funds Flow netback decreased 49% from \$28.41 per boe in 2022 to \$14.59 in 2023.

After taking into account the non-cash items, there was a net income netback of \$2.96 per boe for the fourth quarter of 2023 as compared to income of \$92.44 in 2022. For the twelve months ended December 31, 2023 the net income netback was \$3.48 per boe as compared to \$43.48 in the same period of 2022. The large deferred tax recovery in 2022 resulting from the reversal of a previous valuation allowance caused 2022 net income to be inordinately high with a one-time recovery.

(\$ per boe)	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Realized price	48.26	63.85	(24)	49.68	66.01	(25)
Royalties	(10.45)	(12.77)	(18)	(10.37)	(13.16)	(21)
Operating expenses	(17.02)	(23.64)	(28)	(20.20)	(20.27)	-
Transportation expenses	(1.87)	(0.86)	117	(1.13)	(0.70)	61
Operating	18.92	26.58	(29)	17.98	31.88	(44)
General and administrative	(1.74)	(2.05)	(15)	(1.87)	(2.48)	(25)
Finance expense - interest	(1.55)	(2.33)	(33)	(1.91)	(2.05)	(7)
Other income	0.23	1.34	(83)	0.39	1.06	(63)
Adjusted Funds Flow	15.86	23.54	(33)	14.59	28.41	(49)
Other income	-	0.76	(100)	0.04	0.35	(89)
Share based compensation	(0.71)	(0.87)	(18)	(0.58)	(0.58)	-
Depletion and depreciation	(9.60)	(12.11)	(21)	(8.49)	(8.10)	5
(Loss) gain on debt modification	(0.46)	0.27	(270)	(0.16)	0.08	(300)
Gain on PP&E dispositions	-	-	-	0.75	-	-
Finance expense - accretion	(1.44)	(2.45)	(41)	(1.52)	(2.10)	(28)
Exploration & evaluation	(0.09)	(0.02)	350	(0.11)	(0.55)	(80)
Exploration & evaluation impairment	(0.46)	(0.02)	2,200	(0.12)	(0.01)	1,100
Deferred tax	(0.14)	84.54	(100)	(0.91)	26.40	(103)
Transaction costs	-	(1.20)	(100)	(0.01)	(0.42)	(98)
Net income	2.96	92.44	(97)	3.48	43.48	(92)

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

Journey generated net income for the three months ended December 31, 2023 of \$3,440 as compared to \$97,753 in 2022. During the fourth quarter of 2023, Journey realized net income per share of \$0.06 per basic share and \$0.05 per diluted share as compared to \$1.73 per basic share and \$1.55 per diluted share in the same quarter of 2022. There was net income of \$15,819 for the twelve months ended December 31, 2023, which translated into \$0.26 per basic share and \$0.24 per diluted share as compared to net income of \$155,198 or \$2.95 per basic and \$2.64 per diluted share in 2022.

Adjusted Funds Flow during the fourth quarter of 2023 were \$18,376, a decrease of 26% from \$24,890 realized in 2022. For the twelve months ended December 31, Adjusted Funds Flow decreased 35% from \$101,387 in 2022 to \$66,140 in 2023. The decrease was significantly attributable to the decrease in both crude oil and natural gas prices in 2023 from the levels experienced in 2022. Adjusted Funds Flow per share was \$1.10 per basic share and \$1.00 per diluted share in 2023 as compared to \$1.93 per basic share and \$1.73 per diluted share in 2022.

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure, which represents how much cash, was generated by Journey's business operations. Cash Flow for the fourth quarter of 2023 was \$31,278 versus \$25,346 during the same quarter of 2022. For the twelve months year to date Cash Flow was \$66,643 in 2023 as compared to \$106,623 in 2022.

Per share data	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Net income and comprehensive income (loss)	3,440	97,753	(96)	15,819	155,198	(90)
Basic (\$/share)	0.06	1.73	(97)	0.26	2.95	(91)
Diluted (\$/share)	0.05	1.55	(97)	0.24	2.64	(91)
Adjusted Funds Flow	18,376	24,890	(26)	66,140	101,387	(35)
Basic (\$/share)	0.30	0.44	(32)	1.10	1.93	(43)
Diluted (\$/share)	0.27	0.40	(33)	1.00	1.73	(42)
Cash flow provided by operating activities	31,278	25,346	23	66,643	106,623	(37)
Basic (\$/share)	0.51	0.45	13	1.11	2.02	(45)
Diluted (\$/share)	0.47	0.40	18	1.01	1.81	(44)

CAPITAL EXPENDITURES

For the fourth quarter of 2023, Journey spent \$18,226 in total capital expenditures. Of this amount, Journey spent \$11,152 on drilling and completing 9 (8.1 net) wells. For the twelve months of 2023, Journey spent \$45,718 in total capital expenditures. Of this amount, Journey spent \$15,620 on drilling and completing 12 (10.3 net) wells. In addition, \$14,456 was spent on the advancement of the Gilby power generation project and the acquisition of the Mazeppa plant and equipment.

Capital additions for the respective three and twelve month periods is broken down as follows:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
<u>Cash expenditures:</u>						
Land and lease rentals	179	113	58	1,740	919	89
Geological and geophysical	73	-	-	351	63	457
Drilling and completions	11,152	5,472	104	15,620	31,260	(50)
Well equipment and facilities	3,081	3,063	1	7,758	9,335	(17)
Power generation	9,277	318	2,817	14,456	2,996	383
Total capital expenditures	23,762	8,966	165	39,925	44,573	(10)
Corporate acquisition	-	-	-	-	19,146	(100)
PP&E acquisitions	-	112,410	(100)	6,467	120,307	(95)
PP&E dispositions	(6,733)	-	-	(5,536)	(3,000)	85
Net capital expenditures	17,029	121,376	(86)	40,856	181,026	(77)
<u>Other expenditures:</u>						
ARO costs incurred (internal plus SRP)	1,197	2,509	(52)	4,862	5,035	(3)
Total expenditures	18,226	123,885	(85)	45,718	186,061	(75)

Of the 9 wells drilled in the fourth quarter, one was drilled in Medicine Hat, three were in Matziwin, three in Cherhill and two were drilled in Poplar Creek. By the end of the year all wells except the Poplar Creek wells were placed on-production.

Wells drilled	Three months ended Dec. 31,				Twelve months ended Dec. 31,			
	2023		2022		2023		2022	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil wells	9	8.1	4	2.1	12	10.3	12	9.6
Gas wells	-	-	-	-	-	-	1	1.0
Total	9	8.1	4	2.1	12	10.3	13	10.6
Success rate (%)	100	100	100	100	100	100	100	100

DECOMMISSIONING LIABILITIES (“DL”)

At December 31, 2023, Journey has recorded a DL of \$182,837 (\$193,698 at December 31, 2022) for the future abandonment and reclamation of the Company’s net ownership 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 present value of the future liability at December 31, 2023 has been escalated using an inflation rate of 1.6% (December 31, 2022 - 2.1%) and then discounted using a risk-free rate of 3.0% (December 31, 2022 – 3.3%). The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning obligations at December 31, 2023 to be \$257,644 (December 31, 2022 - \$259,615) the majority of which, will be incurred at various times between 2024 and 2059.

Accretion charges of \$1,371 for the three months ended December 31, 2023 (December 31, 2022 - \$1,436), and \$5,555 (December 31, 2022 - \$4,443) for the three and twelve month periods respectively, have been recognized in the statements of comprehensive net income to reflect the increase in DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program, and including SRP Funding, for the three and twelve month periods ended December 31, 2023 was \$1,197 and \$4,862 respectively (December 31, 2022 - \$2,509 and \$5,035 respectively).

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey’s assets are funded entirely out of Adjusted 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 at December 31, 2023 and at the date of this MD&A. Journey has applied for and has been approved for DL funding under the Government’s Site Rehabilitation Program (“SRP”). Journey earned \$167 of SRP funding in 2023.

LEASE OBLIGATION LIABILITIES (“LO”)

At December 31, 2023, Journey’s discounted lease obligations were \$1,708 (December 31, 2022 - \$1,709). The discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of \$48 and \$197 for the three and twelve months ended December 31, 2023 have been recognized in the statements of comprehensive net income to reflect the increase in the LO associated with the passage of time. For the three and twelve months ended December 31, 2022 accretion charges were \$48 and \$137 respectively. Expenditures for the LO for the three and twelve month periods ended December 31, 2023 were \$104 and \$399 respectively. For the three and twelve month periods in 2022, the expenditures were \$96 and \$343.

LIQUIDITY AND CAPITAL RESOURCES

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

The financial landscape for Journey has continuously improved throughout 2021, 2022 and 2023 post-pandemic. The improvement in commodity prices and the growth through acquisitions have been positive influences in improving the outlook for the Company’s liquidity.

On March 23, 2023 Journey completed a flow-through share equity offering for gross proceeds (before costs) of \$20,125. The proceeds of the offering are being used to fund Journey’s 2023-2024 drilling program. Net debt at the

end of 2023 was 0.8 times net debt to annualized fourth quarter Adjusted Funds Flow. Net Debt of the Corporation at December 31, 2023 was \$61,676, which was 38% lower than the \$98,768 as at December 31, 2022.

Under the AIMCo credit facility, the Company is required to maintain a Liability Management Rating (“LMR”) greater than 1.5. The Company was in compliance with this requirement as at December 31, 2023 and remains in compliance as of the date of these MD&A with a 1.9 rating.

As part of the significant acquisition on October 31, 2022 Journey issued a \$45.0 million vendor-take-back debt that has monthly payments of principal and interest. The principal repayments are tied to the price of WTI oil in the preceding month of the payment. In 2023 Journey has made \$26.0 million in repayments of principal and the balance outstanding as at December 31, 2023 was \$17.0 million. Any balance remaining after taking into account the variable monthly payments will be due on final maturity date of October 31, 2024. Based on the current strip price for WTI prices, the last payment on the VTB is projected to be September 3, 2024.

On March 31, 2023 Journey repaid \$23.8 million of term debt to its senior, secured term debt holder, AIMCo. On the same day, and with a view to assisting with the liquidity of Journey, AIMCo agreed to extend the maturity of the \$24.7 million tranche of term debt that was previously due on October 31, 2023 for nine months to a new maturity of April 30, 2024. Due to the significant softening of commodity prices in the fourth quarter, a second amendment was made with AIMCo on December 21, 2023 with respect to the repayment terms of all tranches of remaining AIMCo term debt. The previous balloon payment on April 30, 2024 was for \$24.7 million, and the second one was due on October 31, 2024 for \$19.1 million. These repayments will now be subject to smaller balloon payments with the balance being amortized over monthly amounts. For the first maturity in April, \$12.7 million of principal will be paid on April 30, 2024 and then repayments of \$1.0 million per month (plus accrued interest) will be paid from May 2024 to April of 2025. For the second maturity due in October, \$10.1 million will be repaid on October 31, 2024 and then six monthly payments of \$1.5 million (plus accrued interest) will be made from November of 2024 to April of 2025.

Journey has adjusted its capital program in the fourth quarter of 2023 and the first quarter of 2024 with the goals of meeting its flow through share obligation, and making the payments due to AIMCo.

Journey’s capital structure is made up of the following as at December 31 of the respective years:

	2023	2022
Shares outstanding	61,350	57,882
Share closing market price (\$/share)	\$3.86	\$5.46
Market capitalization	236,811	316,036
Net debt	61,676	98,768
Total capitalization	298,487	414,804

SUBSEQUENT EVENT

On March 6, 2024 Journey announced a bought-deal convertible debenture financing for \$38.0 million, with each convertible debenture consisting of \$1,000.00 of principal. Each convertible debenture will be convertible into 200 common shares of the Company at a price of \$5.00 per share for a period of five years following the closing date. The convertible debentures will bear interest at a rate of 10.25% per annum payable semi-annually in arrears on March 31 and September 30 in each year commencing September 30, 2024. Net proceeds (after issuance costs) of the offering are estimated to be approximately \$36.6 million. The Company intends to use the net proceeds of the offering to reduce existing indebtedness, fund its 2024 capital development program, and for working capital and general corporate purposes. The offering is expected to close on or about March 20, 2024.

RELATED PARTY TRANSACTIONS

The Company considers its directors and executives to be key management personnel and are therefore related parties. For the three month periods ended December 31, compensation for these individuals is comprised of the following:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	% Change	2023	2022	% Change
Salaries and director fees	535	425	26	1,860	1,565	19
Short-term employee benefits	48	36	33	164	120	37
Share based payments (i)	724	425	70	1,371	865	59
Total	1,307	886	48	3,395	2,550	33

- (i) These amounts represent the amortization of share based compensation associated with the Company's share based compensation plans.
- (ii) As at December 31, 2023 there were twelve (December 31, 2022 – eleven) individuals that were considered key management personnel.

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

CONTRACTUAL OBLIGATIONS

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

- (a) The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the following contracts:

	Total	< 1 year	2-3 years	4-5 years
Term debt – AIMCo	43,763	33,763	10,000	-
VTB loan	17,000	17,000	-	-
Interest on term borrowings	7,221	6,977	244	-
Other loans	419	42	377	-
Natural gas transportation	4,071	1,698	2,066	307
Operating leases	3,951	1,355	2,596	-
Flow through share renunciation	7,021	7,021	-	-
Total contractual obligations	83,446	67,856	15,283	307

- (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:

<i>(000's)</i>	March 12, 2024	December 31, 2023	December 31, 2022
Common shares outstanding	61,350	61,350	57,882
Options, warrants, share awards	7,028	7,028	6,957
Fully diluted shares	68,378	68,378	64,839

The weighted average shares outstanding at the respective periods are:

	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2023	2022	Change %	2023	2022	Change %
Basic	61,197	56,638	8	60,310	52,658	15
Diluted	66,955	62,912	6	66,170	58,773	13

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Dec. 31, 2023	Sept. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Production (boe/d)	12,595	11,756	12,400	12,920
Average prices realized, pre-hedging (\$/boe)	48.26	52.96	47.28	50.26
Petroleum and natural gas sales	55,914	57,279	53,513	58,443
Net income (loss)	3,440	7,712	(1,773)	6,440
Basic – per share (\$/share)	0.06	0.13	(0.03)	0.11
Diluted – per share (\$/share)	0.05	0.11	(0.03)	0.10
Adjusted Funds Flow	18,376	18,513	11,292	17,959
Basic – per share (\$/share)	0.30	0.30	0.18	0.31
Diluted – per share (\$/share)	0.27	0.28	0.17	0.28
Cash flow provided by operating activities	31,278	11,569	12,335	11,461
Total assets	610,136	589,031	610,680	618,583
Net capital expenditures	17,029	3,004	14,006	6,818
Long term financial liabilities	187,746	172,780	206,720	236,360
Net debt	61,676	59,781	74,662	71,071

	Dec. 31, 2022	Sept. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Production (boe/d)	11,496	9,504	9,590	8,492
Average prices realized, pre-hedging (\$/boe)	63.82	62.06	77.84	60.00
Petroleum and natural gas sales	67,531	54,265	67,929	45,858
Net earnings (loss)	97,753	15,479	28,197	13,769
Basic – per share (\$/share)	1.73	0.29	0.54	0.28
Diluted – per share (\$/share)	1.55	0.26	0.47	0.25
Adjusted Funds Flow	24,890	22,715	33,381	20,401
Basic – per share (\$/share)	0.44	0.43	0.63	0.42
Diluted – per share (\$/share)	0.40	0.38	0.56	0.36
Cash flow from operations	25,346	33,422	26,044	21,811
Total assets	639,195	413,626	389,186	361,683
Net capital expenditures	121,376	12,236	34,801	12,162
Long term financial liabilities	226,026	175,364	182,000	198,089
Net debt	98,768	16,781	29,676	38,481

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

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

- The fourth quarter of 2023 saw increased sales volumes of 7% from the third quarter and mainly due to the positive drilling results from the 9 (8.1 net) wells drilled in the quarter. The Adjusted Funds Flow results were muted as average commodity prices softened by 11% with realized oil prices coming in 14% lower than in the third quarter. Journey spent \$18,226 in the quarter in total capital spending of which \$11,152 was devoted to drilling and completions work; and \$9,457 was spent on advancing the Gilby power project. Field operating costs were lower by 14% on a per boe basis as power prices declined significantly due to a warm start to the winter. Power is the largest single item affecting operating expenses and these costs decreased by 34% from the third to the fourth quarter. Operating expenses per boe dropped from \$20.72/boe in the third quarter to \$17.02 in the fourth quarter. In the fourth quarter Journey entered into an amendment with AIMCo for the extension and amortization of the final amounts owing under the term debt agreements currently outstanding. The amendment now extends \$10 million of term debt repayments into 2025. Journey exited the fourth quarter with \$61,676 in net debt.
- Average sales volumes were 5% lower in the third quarter of 2023 compared to the second quarter due to natural declines and no new wells brought on-stream. The drilling program commenced late in the quarter and the results will be reflected in the next quarter. Average prices were 12% higher in the third quarter compared to the second quarter. As a result Adjusted Funds Flow was 64% higher than the second quarter at \$18.5 million. Due to the limited net capital spending and some small non-core dispositions in the quarter, resulting in a net spend of \$3.0 million, Journey was able to reduce its net debt to \$59,781. Construction of the Gilby power plant continued in the quarter with Journey spending \$2.0 million in the quarter.
- Average commodity prices decreased by 5% from the first quarter to the second quarter of 2023 as the expected demand from China reopening did not materialize. In addition, a warm winter depressed natural gas prices that continued into the third quarter. Wildfires in Alberta during the third quarter created some producing well shut-ins and sales volumes declined by 4% quarter over quarter. These challenges caused Adjusted Funds Flow to decrease by 37% from the first quarter to \$11,292. Journey's capital program (including ARO spending) was \$14,808 and because this exceeded Adjusted Funds Flow the net debt increased to \$74,662. The majority of capital spending in the quarter was restricted to the acquisition of

the Mazeppa power generation assets, and final adjustments from the Enerplus purchase that closed in October. The combination of these two items comprised \$11.5 million of total capital.

- On the back of the significant acquisition that closed October 31, 2022 sales volumes increased to 12,920 boe/d (55% crude oil and NGL's) in the first quarter of 2023 from 11,496 boe/d in the fourth quarter of 2022. Average realized prices softened by 21% to \$50.26/boe from the fourth quarter of 2022 due to persistent global recession fears and a warmer than normal winter. Adjusted Funds Flow was \$17,959 or \$0.31 per basic weighted average share. Net debt decreased to \$71,071 at March 31 as Journey underspent its cash flow in its capital spending program and concentrated on repaying its vendor take back debt as well as making its balloon payment to AIMCo on March 31 in the amount of \$23.8 million. To buttress the Company's liquidity, Journey closed on a flow-through share private placement on March 23 for the issuance of 3.04 million shares at a price of \$6.62 per share; and made an agreement with AIMCo to defer the \$24.7 million debt maturity from October 31, 2023 to April 30, 2024.
- Average commodity prices continued to be solid during the fourth quarter at \$63.82/boe (before hedging gains), which were consistent with the \$62.06/boe realized in the third quarter. Realized oil prices decreased 13% from the previous quarter while natural gas prices increased by 33%. Sales volumes increased in the fourth quarter to 11,496 boe/d as compared to 9,504 boe/d in the third quarter. The increase was largely due to the 4,000 boe/d acquisition that Journey closed on October 31. Journey generated quarterly adjusted funds flow of \$24,890 or \$0.44 per basic weighted average share. Journey's power project continued to perform well and generated 8,199 MW of electricity at an average price of \$241.25/MW (including Option M credits). Net debt at the end of the quarter was \$98,768, which was 489% above the September 30, 2022 amount of \$16,781. The increase in net debt was primarily due to the debt incurred to close the asset acquisition on October 31.
- Commodity prices continued to be solid in the third quarter at \$62.06/boe, but generally were lower than the \$77.84/boe realized in the third quarter. Realized oil prices decreased 17% from the previous quarter while natural gas prices decreased by 44%. Sales volumes were fairly flat during the third quarter at 9,504 boe/d as compared to 9,590 boe/d in the third quarter. Journey generated quarterly adjusted funds flow of \$22,715 or \$0.43 per basic weighted average share. Journey's power project continued to perform well and generated 7,610 MW of electricity at an average price of \$232.24/MW (including Option M credits). Net debt at the end of the quarter was \$16,781, which was 43% below the September 30, 2022 amount of \$29,676. The Company was positioning itself throughout the quarter financially to complete the acquisition that closed on October 31, 2022.
- Commodity prices continued to be strong in the third quarter with Journey realizing an average of \$77.84/boe. Realized oil prices increased 21% from the previous quarter while natural gas prices increased by 54%. Sales volumes were higher by 13% from the first quarter at 9,590 boe/d as compared to 8,492 boe/d in the previous quarter. Journey completed the corporate acquisition of a private company on April 1, 2022 which added approximately 770 boe/d (51% natural gas) for the quarter. Journey generated record quarterly adjusted funds flow of \$33,381 or \$0.63 per basic weighted average share. Journey also acquired a 43.75% working interest in a gas plant and a 50% ownership in a gathering system that it already had ownership in further buttressing and diversifying its cash flows. Journey's power project continued to perform well and generated 7,807 MW of electricity at an average price of \$137/MW. Net debt at the end of the quarter was \$29,676, which was 23% below the March 31, 2022 amount of \$38,481.
- The first quarter of 2022 showed continued improvement in all commodity prices with Journey realizing an average of \$60.00/boe. Realized oil prices increased 30% from the previous quarter while natural gas prices increased by 2%. Sales volumes were relatively flat from the further quarter of 2021 at 8,492 boe/d as compared to 8,554 boe/d in the previous quarter. Even with inflationary pressures on all operating costs Journey was able to generate net income of \$13,769 and \$20,401 in Adjusted Funds Flow. Journey returned to drilling its first wells in over two years and spent \$12,162 in net capital during the first quarter. Journey's power project continued to perform well and generated 7,550 MW of electricity at an average price of \$112/MW. Journey raised \$12.1 million in a flow-through share offering that closed on March 18. The proceeds from the offering will be used to help fund the Company's 2022 drilling program. Net debt at the end of the quarter was \$38,481, which was 33% below the December 31, 2021 amount.

CRITICAL ACCOUNTING ESTIMATES

A summary of the material accounting policies used by Journey can be found in Note 3 of the December 31, 2023 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2023 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, 2023, audited consolidated financial statements are available on SEDAR at www.sedar.com.

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

CHANGES IN ACCOUNTING POLICIES

There were no material IFRS accounting standards adopted in 2023.

There were no new or amended accounting standards or interpretations issued during the period ended December 31, 2023 that will materially affect the Company's future reporting periods.

RISK FACTORS AND RISK MANAGEMENT

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

Commodity Price Risk

The Company's operating results and financial condition are dependent on prices received for the production of natural gas, NGL and oil. Commodity prices have historically been subject to wide fluctuations and have the most material impact on Funds Flow. These prices are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. Prices received in Canada also reflect changes in the Canadian/US currency exchange rate. Journey's strategy to mitigate these risks focuses on the use of 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 Adjusted 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 main commodity purchaser as the primary counterparty.

Foreign Exchange Risk

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

Liquidity Risk

Liquidity risk is impacted by many things both internal and external to Canada. Currently, the world is battling inflationary forces that requires governments to take fiscal action that can be detrimental to economies. 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;
- increased risk of collection of accounts receivable and customer defaults.

The Company continues to make substantial progress in reducing its overall debt position using its cash generated from operations. Commodity prices and the general economic environment continue to be volatile, increasing the risk that cash flow from operations could decline, which could result in Journey being unable to fund upcoming debt maturities. Journey is dependent on current commodity pricing to enable it to generate cash flow necessary to fund debt repayments.

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 its capital spending to maintain a reasonable working capital balance. The projected balance of cash reserves (existing and forecasted) for Journey is assessed by Management to be sufficient to ensure obligations will be met as they come due.

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

There is still a risk that give the residual impact of the pandemic, the Ukraine-Russia war, and the resulting volatility surrounding commodity prices, that Journey may not be able to make its scheduled principal and interest payments on its term debt. 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. In addition, the vendor-take-back debt issued in October of 2022 has a specific asset security associated with it. Should Journey not make its monthly payments, Enerplus Corporation could enforce its right to this security in the event of a default.

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 Adjusted 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 Adjusted 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

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. After October 30, 2020 (the date of the buyout of the bank debt) the majority of Journey's borrowings are comprised of term debt, which carry fixed interest rates. However, as these various tranches of term debt mature, Journey will need to renegotiate new terms to the extent that the debt is not repaid at maturity. The interest rates could increase materially upon these renegotiations to the extent market interest rates have moved upward.

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

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

Operating and finding and development costs

The industry experiences significant cost swings for its services. Field activity has accelerated with the increase in commodity prices. Service companies have not staffed back up to pre-COVID levels and as a result demand for services have outstripped the supply and significant cost inflation has been taking place. The Company mitigates risks by entering into strategic joint ventures to reduce exposure to high costs and diversify drilling risks. The Company employs experienced and motivated staff to evaluate and generate high quality drilling prospects. In addition, the Company seeks to utilize appropriate technology and responsible operating practices in operating its wells. The Company utilizes appropriate safety programs and insurance coverage to guard against potential losses. Concentrating on core areas wherein Journey has high degrees of ownership and operatorship further mitigates increasing operating costs as economies of scale are gained. Journey attempts to minimize finding risk by:

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

Administrative Risks

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

Competition

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

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and Fourth 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 2.11 and the Company does not expect to post any such deposits in the near future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR") as defined in NI 52-109. They have as at the interim period ending December 31, 2023, 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.

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 2023.

The December 31, 2023 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.