January 13, 2025

# Journey Energy Inc.

## The Journey is Just Getting Started

### NEED TO KNOW

- **Long life, low decline asset base**
- **Strong underlying value**
- **Exploitation of emerging Duvernay play**

We are initiating coverage of Journey Energy with an Outperform recommendation and C$4.50 target price.

- Our target price represents a 3.4x EV/EBITDA multiple on our 2025 forecast, which is favourable to median historical multiples of ~4.0x

### Low Decline Asset Base

- Journey holds a long-life reserves base with most of its production under secondary recovery. Base decline rates are estimated at ~13%, requiring less cash flow to stabilize production.

### Emerging Duvernay Play

- Journey has exposure to the emerging Duvernay shale play in Central Alberta through a JV with Spartan Delta, covering 128 sections of land. The play could offer Journey up to 60 net locations, representing around 25 MMBoe of reserves and over $600 million of PV10 value at US$75/Bbl WTI prices.

### Growing Power Business

- Journey's expanding power business offers another leg of free cash flow for the Company. The Company expects start-up of its second power plant in 2025, with its third, Mazeppa, likely in 2026.

### Strengthening Balance Sheet

- Journey has seen significant debt reduction over the last several years. The Company is expected to exit 2024 with net debt around $60.0 million. Under scheduled debt repayments on its $25.0 million term debt to be repaid by August 2025, the Company is expected to see further debt reduction in 2025.

### Deep Underlying Value

- Journey trades at a large discount to its PV10 net asset value, which was ~$4.89/sh on a proven producing basis at the end of 2023.

## VTC Initiating Coverage

| Journey Energy | | |
|---|---|---|
| **JOY** | **CN** | |
| At 1/10/2025 | C$ | $2.18 |
| **Valuation** | **C$** | **$4.89** |
| **- ( < methodology > )** | | **PV10 Proven Reserves** |
| **12-month target** | **C$** | **$4.50** |
| **12-month total return** | **%** | **106%** |
| Market cap | C$m | $133.7 |
| Shares OS | m | 61.4 |

| **Investment fundamentals** | | **2022A** | **2023A** | **2024E** | **2025E** |
|---|---|---|---|---|---|
| EBITDA | C$m | $110.9 | $77.0 | $63.0 | $90.0 |
| EV/EBITDA | x | 3.7x | 3.9x | 2.8x | 1.8x |
| Production | Boe/d | 9,778 | 12,415 | 11,350 | 11,100 |
| Crude Oil & NGLs | % | 49% | 54% | 56% | 57% |
| CFPS | C$/sh | $1.92 | $1.09 | $0.87 | $1.26 |
| P/CFPS | x | 2.8x | 3.5x | 2.2x | 1.7x |
| DPS | C$/sh | $0.00 | $0.00 | $0.00 | $0.00 |
| Dividend yield | % | 0.0% | 0.0% | 0.0% | 0.0% |

*(Priced at #CLOSE of January 10, 2025; all figures in CAD unless noted)*

*Source: Capital IQ, VTC Research, January 2025*

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Please refer to page 18 of this report for important disclosures and analyst certification.

# Company Description

- Journey Energy is an oil-weighted junior oil and gas exploration and production company that is focused on creating sustainable value through the responsible development, enhancement and continued growth of its low-decline asset base situated across Alberta.

# Investment Case

- Free Cash Flow – Journey is expected to generate free cash flow in 2025, even under a low commodity price scenario. With the scheduled elimination of its term debt in 2025, the Company will have further free cash flow to direct towards its growth assets.
- Power Business – Journey's expanding power business offers another leg of free cash flow for the Company. The Company expects start-up of its second power plant in 2025, with its third, Mazeppa, likely in 2026.
- Declines – Journey holds a mature asset base with most of its production under secondary recovery, resulting in long-life reserves with a low annual decline of ~13%.
- High Net Asset Value – Journey trades at a large discount to its PV10 net asset value, which was ~$4.89/sh on a proven producing basis at the end of 2023.
- Balance Sheet – Journey has seen significant debt reduction over the last several years. The Company is expected to exit 2024 with net debt around $60.0 million. Under scheduled debt repayments on its $25.0 million term debt to be repaid by August 2025, the Company is expected to see further debt reduction in 2025. After the term debt is repaid, the only outstanding debt are the $38 million convertible debentures that mature and are repayable on March 31, 2029. Journey also holds a $7 million credit facility, which is currently undrawn.
- Duvernay Growth – Journey has exposure to the emerging Duvernay shale play in Central Alberta through a JV with Spartan Delta, covering 128 sections of land. The play offers the Company upwards of 60 net locations, or ~25 MMBoe of reserves. PV10 value per location is ~$11 million, illustrating the large upside for the Company, which should see an increasing rate of development starting with the 2025 program.
- Potential Risks – Oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, which could include among other things: fire, explosion, blowouts, sour gas releases, spills and other environmental hazards. In addition to operational risks, the company is sensitive to financial risks such as timing of cash flow inflows versus outflows as well as commodity prices. Versus our forecast of US$75.00/Bbl for WTI and US$3.15/mmbtu for NYMEX, we have an estimated change of 2.6% to cash flow for a US$1.00/Bbl change in crude oil prices, and 1.3% for a C$0.10/Mcf change in natural gas prices.

# Recommendation

- We view Journey as a deep-value junior oil and gas company that should see an evolution of its asset base with the development of its Duvernay JV. The Company holds a low-decline asset base, which provides free cash flow even with weak commodity prices. After the remaining term debt is repaid in 2025, the Company will have additional capital to accelerate Duvernay development if so desired. **We are initiating coverage with an Outperform recommendation and a target price of $4.50, which represents a 3.4x EV/EBITDA multiple based on our 2025 forecast.**

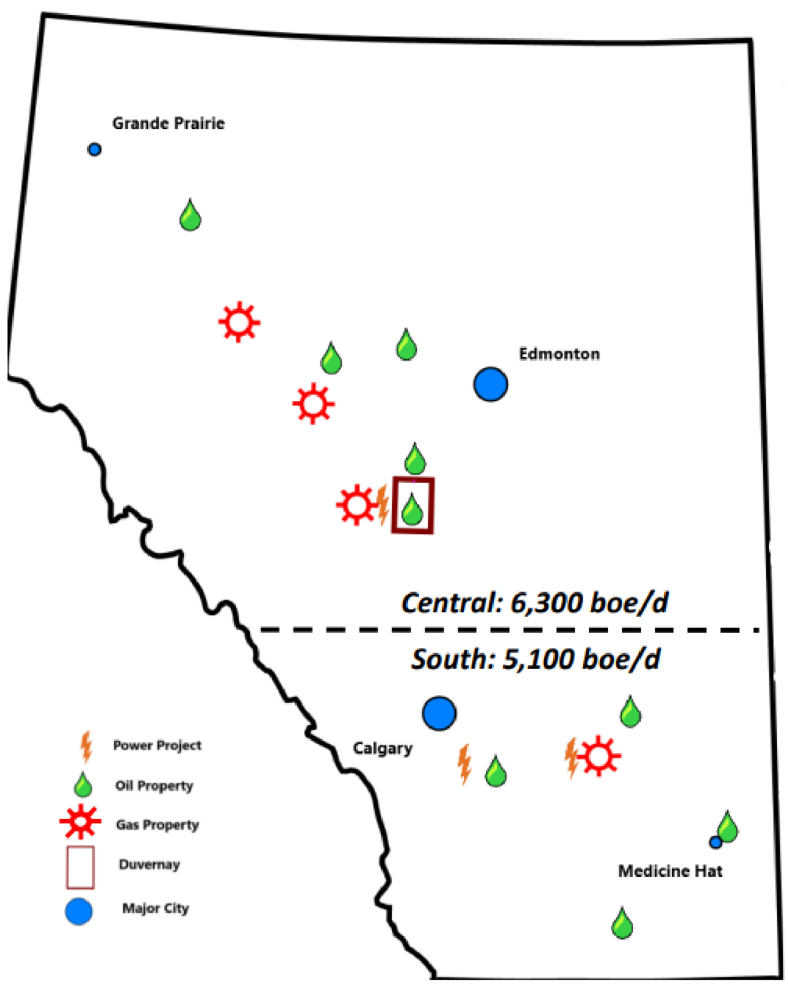
# Asset Base

Journey's operations are based in Alberta, where the Company is pursuing growth through drilling, water and polymer floods, plus accretive acquisitions. Complementing its producing assets, the Company also operates several power plants that offer another leg of revenue, and a partial hedge on operating costs. Current production is around 11,200 Boe/d (55% liquids), and given a low corporate decline rate of 13%, reduces the capital requirements to show stable production.

In late 2022, the Company purchased ~4,000 Boe/d (71% oil and NGLs) of producing assets in the Medicine Hat, Ante Creek, Kaybob and Ferrier areas of Alberta from Enerplus Corporation. The assets were all under waterflood and have low natural declines.  The net purchase price after closing adjustments was $112 million and was financed through a $45 million vendor-take-back loan (which was fully repaid on March 21, 2024), the issuance of 3 million Journey shares at $6.05/share, and the balance from cash in the bank.

We see the main focus on Journey in the medium term being the exploitation of its emerging Duvernay play at Gilby, polymer flooding at Medicine Hat, and the roll-out of its power business.

Figure 1: Asset location map




Source: Company Reports

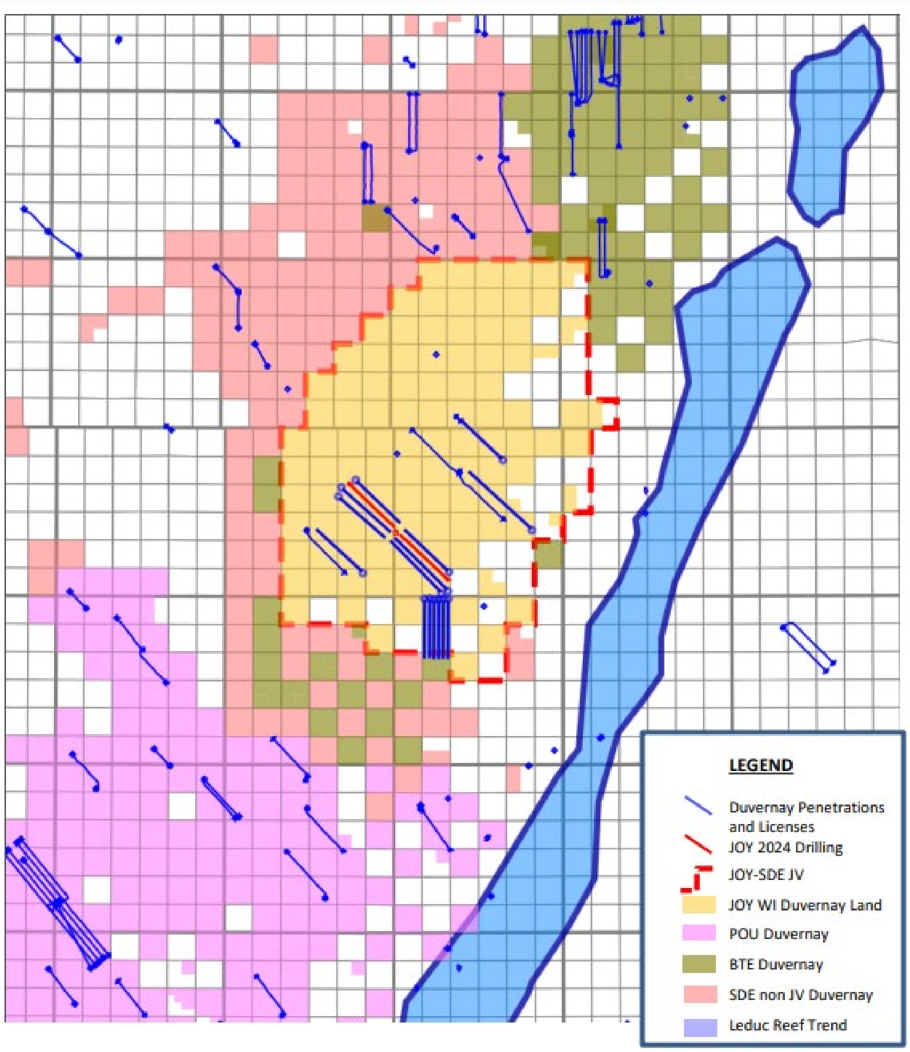
# Duvernay

- In the Gilby area of Central Alberta, the Company has exposure to the emerging Duvernay shale play. Journey had gained information from the participation in three legacy wells drilled in 2018 and 2019, which have each cummed over 200,000 Bbls of oil so far.
- Earlier this year, Journey announced they and Spartan Delta had entered a Joint Venture to cover 128 sections of land in the oil window of the west shale basin of the Duvernay oil and liquids fairway. The majority of the lands have a tenure exceeding six years, providing time for the partners to ramp up their development program. Spending within the JV is capped at $30 million for 2024 and $100 million for 2025. Spartan Delta is the operator at 68.6%, with Journey retaining a 31.4% interest.
- The JV drilled two wells this year: the 9-05 at 3,650 meters in length, completed with 74 fracs; and the 5-18 which was 3,511 meters in length and having 71 fracs. Well costs were budged at $13 million apiece, with the expectation they can ultimately be brought down to around $12 million. The wells came onstream in November 2024 with the 30-day restricted, testing rates of the two wells being 1,029 Boe/d (87% liquids) and 1,166 Boe/d (90% liquids), respectively. Journey believes it will be able to book around 12 net proven and probable offset locations in its 2024 year-end reserve report.
- The JV lands provide Journey with upwards potential of 60 net locations representing around 25 MMBoe of primarily oil reserves, as compared to 2023 year-end proven oil reserves of 29.1 MMBbls.

Positive results from other operators in the area include:

- Baytex, which has land adjacent to the north of the JV, produced 7,550 Boe/d from the Pembina Duvernay in Q3/24 (83% oil and liquids). The Company highlighted that its recent seven wells saw increased performance, with its 3-well pad brought onstream in May generating an average IP30 of 1,354 Boe/d (90% liquids), and its 4-well pad that came onstream in August, holding an average IP30 of 968 Boe/d (93% liquids).
- Paramount Resources, which holds land to south of the JV, announced its recent three Duvernay wells that came onstream in Q3/24 had an IP30 of 1,254 Boe/d (69% liquids).

Figure 2: Duvernay JV acreage




Source: Company Reports

- Single well economics are already attractive, with further potential to drive them even higher from completion optimization and lower well costs. We compute a PV10 well value of ~$11 million at US$75 WTI prices with a well cost of $12 million. At those levels the potential value add to Journey is over $600 million, a significant step change from the current enterprise value for the Company of ~$194 million.
- 2025 plans are capped at $100 million ($31.4 million to Journey), where 6 to 8 wells (1.8 net to 2.4 net) are expected to be drilled. We could see an even further expanded program for 2026, which could be a call on Journey's cash flow and potentially more.

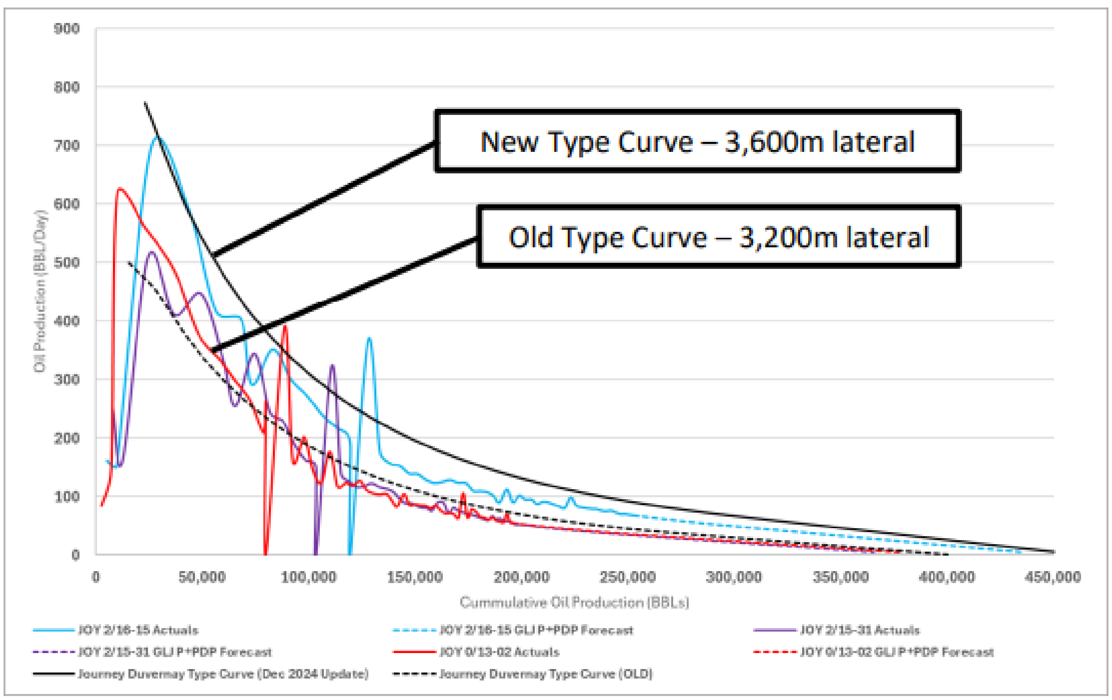
Figure 3: Duvernay Single Well Economics

| Single Well Economics[2] | |
|---|---|
| DCET[1] Capex ($,000) | 12,500 |
| Reserves (MBOE) | 750 |
| Oil Reserves (MBBL) | 450 |
| % Oil and NGLs | 70% |
| IP30 (BOE/day) | 1,300 |
| IP365 (BOE/day) | 638 |
| F&D ($/BOE) | 16.67 |
| NPV[3]@ 10% BT ($,000) | 10,650 |
| IRR[3] (%) | 71 |
| Payout[3] (Years) | 1.3 |

Source: Company Reports

- Journey recently increased its type curve assumption for the Duvernay including an increase in the lateral length from 3,200 meters to 3,600 meters. The longer lateral length helps drive increased production and reserves, which in turn has increased the PV10 value of each location.

Figure 4: Duvernay Type Curve

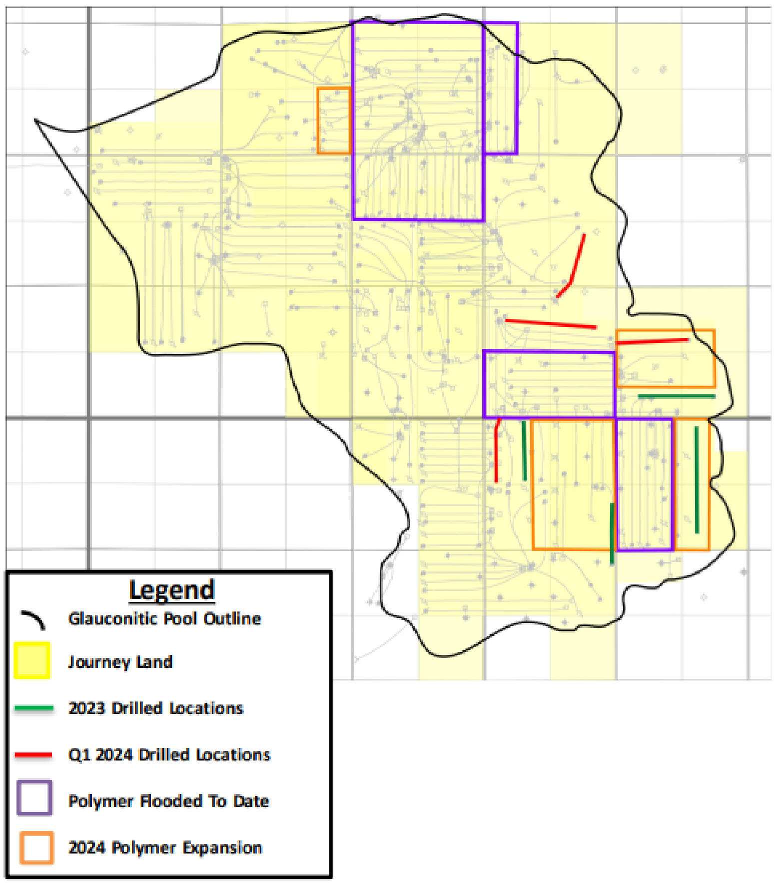



Source: Company Reports

# Medicine Hat

- The Company's Medicine Hat property was part of the 2022 Enerplus acquisition and produces 16º API oil from the Basal Quartz Formation. A portion of the field saw drilling and a polymer flood over the last two years, which has led to an increase in production. Journey is looking to do further expansion of its polymer flood program, which could add significant reserves to the Company.
- Around 20% of the field has been flooded so far, leaving significant acreage to expand the program onto. There is an estimated 175 MMBbls of OOIP, with expectations of a 10% increase in recovery factor from the polymer flood, adding around 17.5 MMBbls. The Company has a 72.5% working interest in the pool, so the reserve potential adds is significant.

Figure 5: Medicine Hat Glauconitic Pool




Source: Company Reports

# Power Assets

- Journey's power business offers an additional revenue stream, which provides a partial hedge on operating costs. The Company holds three main projects which combined offer around ~36 MW of capacity. Countess has been onstream since 2020, and its second pant, Gilby is slated to come on late this year. Mazeppa, which requires regulatory approval and around $6 million of capital, could be onstream in late 2025.

Figure 6: Journey Power Generation

**Countess (2020)**

- **4 MW on stream September 2020**
- **Fuel gas supplied by long life natural gas (Countess field)**
- **Connected to Alberta power grid**
- **Project has paid out original investment**

**Gilby (Under construction with late 2024 start up)**

- **15.1 MW capacity currently under construction**
- **Fuel gas supplied by long life natural gas (Gilby field)**
- **Preliminary approval in place**
- **$6.0 million capital remaining to be spent**

**Mazeppa (2025)**

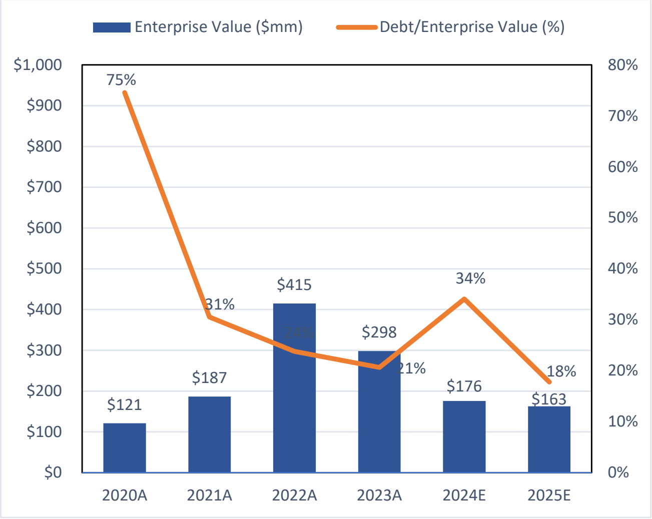
- **16.5 MW power plant purchase closed in Q2 2023**
- **Purchased for less than 20% of replacement value**
- **Commissioned in 2015, ran for less than 1 year**
- **Working on regulatory approval to restart**
- **Onsite ATCO gas fuel supply**

Source: Company Reports

# Capital and Debt Structure

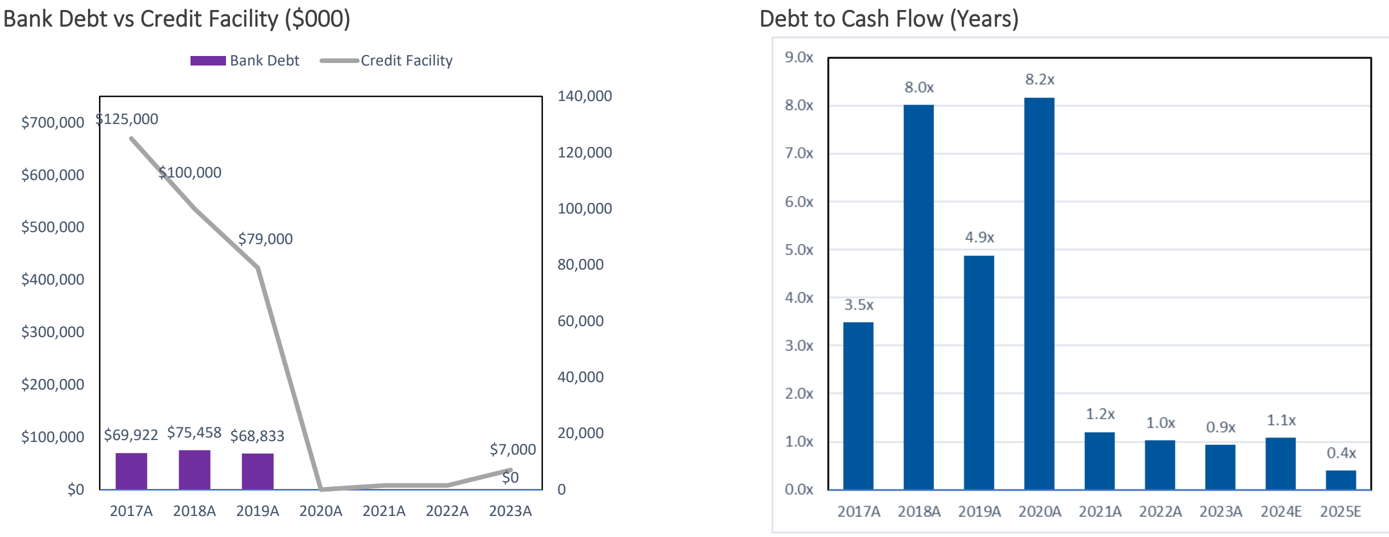
- Journey has ~61.4 million common shares outstanding, with the last significant equity issuance being the 3.0 million shares in October 2022 for the Enerplus acquisition.
- At the end of Q3 the Company had net debt of $52.7 million, which is comprised primarily of $25.0 million of term debt that is scheduled to be repaid at a monthly rate of $2.9 million from November 2024 to March 2025, after which it drops to $1.9 million per month in April 2025 until it is fully repaid in August 2025; and $38.0 million of Senior Convertible Unsecured Subordinated Debentures, which mature on March 31, 2029. The Debentures accrue interest at 10.25% per annum, payable semi annually, and a convertible at the option of the holder into common shares of the Company at $5.00/share.
- Journey holds a $7 million credit facility with a Canadian bank, with zero currently drawn.

Figure 7: Debt/ Enterprise Value (%)




Source: Company Reports, VTC Research, January 2025

Figure 8: Balance Sheet

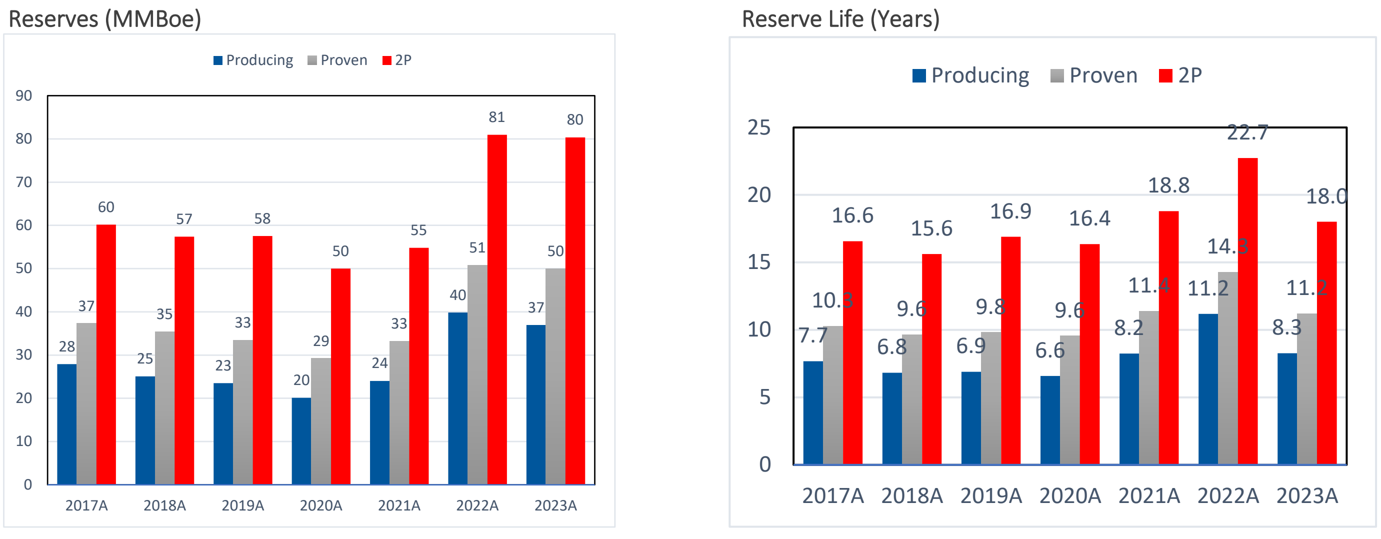



Source: Company Reports, VTC Research, January 2025

# Reserves

- Journey holds a relatively long reserve life as 75% of its assets are under secondary recovery, which helps drive its low 13% decline rate.

Figure 9: Reserves and Reserve Life

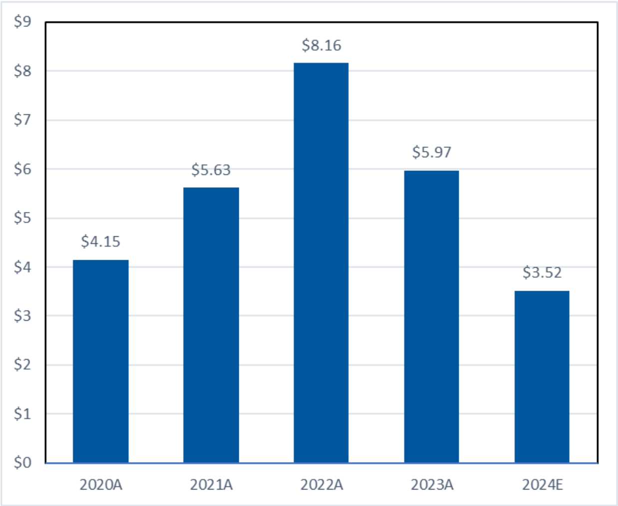



Source: Company Reports, VTC Research, January 2025

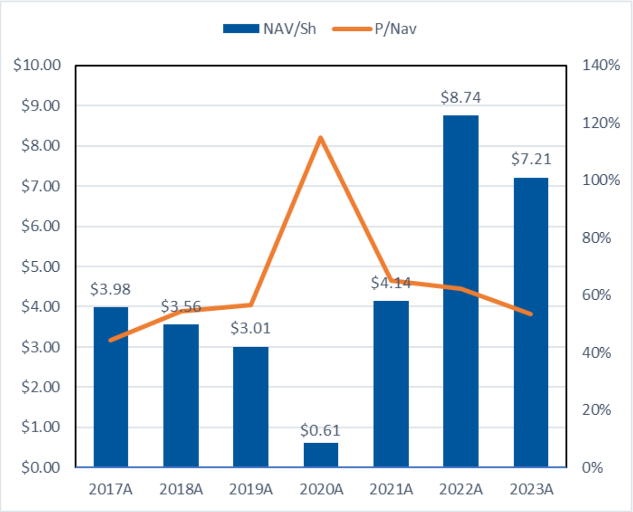
- Journey's proven reserves are trading on Bay Street for ~$3.52/Boe on a proven basis, which is well below industry's replacement costs.
- The Company is trading at a large discount to PV10 reserve value.

Figure 10: Market Value of Reserves and NAV

EV/BOE of Proven Reserves ($/Boe)




NAV – Proven PV10 ($/Sh)

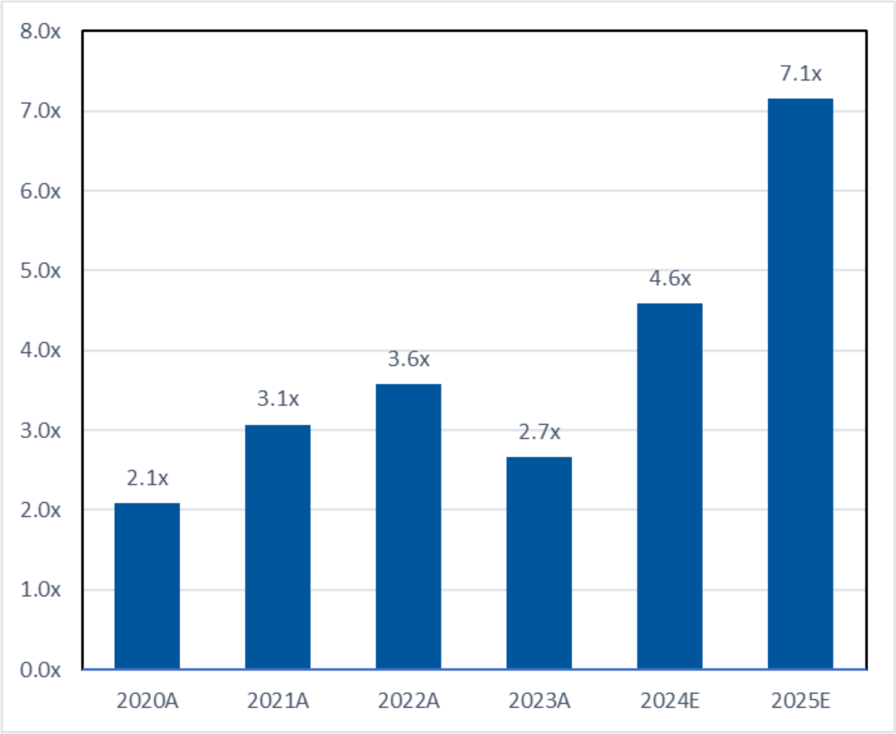



Source: Company Reports, VTC Research, January 2025

# Valuation and Recommendation

- We are initiating coverage of Journey Energy with an Outperform rating and C$4.50 target price.
- Our target is based on a 3.4x EV/EBITDA multiple on our 2025 estimates, and compares conservatively to five-year average multiples of ~4.0x on a trailing basis.
- Journey's proven reserves for 2023 year-end are trading on Bay Street for ~$3.52/Boe, which is well below historical levels.
- Based on natural gas prices recovering from the low levels in 2024, the market recycle ratio (Operating netback/market value of proven reserves) in 2025 is forecast to be greater than 7x at the current share price.

Figure 11: Market Recycle Ratio (x)




Source: Company Reports, Capital IQ, VTC Research, January 2025

## Operating Risk

- Oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, which could include among other things: fire, explosion, blowouts, spills and other environmental hazards.

## Commodity Risk

- Our estimates and valuation are sensitive to commodity prices. Versus our 2025 forecast of US$75.00/Bbl for WTI and US$3.10/mmbtu for NYMEX, we have an estimated change of 2.6% to cash flow for a US$1.00/Bbl change in crude oil prices, and 1.3% for a C$0.10/Mcf change in natural gas prices.

## Figure 12: Journey Reserves and Reserve Life

| Journey Energy JOY | 2019A | 2020A | 2021A | 2022A | 2023A |
|---|---|---|---|---|---|
| **Crude Oil Reserves (MMBbls)** | | | | | |
| **Producing** | **10.9** | **9.0** | **10.3** | **22.2** | **21.0** |
| Non Producing | 6.0 | 5.4 | 5.4 | 6.7 | 8.1 |
| **Total Proven** | **16.9** | **14.4** | **15.7** | **28.9** | **29.1** |
| Probable | 13.3 | 11.1 | 11.8 | 17.2 | 17.3 |
| **Proven plus Probable** | **30.2** | **25.5** | **27.5** | **46.1** | **46.4** |
| Producing as % of Proven | *65%* | *63%* | *66%* | *77%* | *72%* |
| Proven as % of 2P | *56%* | *56%* | *57%* | *63%* | *63%* |
| **Reserve Life (Years)** | | | | | |
| Producing | 6.6 | 6.5 | 7.6 | 12.6 | 8.6 |
| Proven | 10.3 | 10.3 | 11.5 | 16.5 | 11.9 |
| Proven plus Probable | 18.4 | 18.3 | 20.2 | 26.3 | 19.0 |
| **Crude Oil Reserves (MMBbls)** | | | | | |
| ***Proven*** | | | | | |
| **Opening** | **16.6** | **16.9** | **14.4** | **15.7** | **28.9** |
| Drilling/Extensions | 1.5 | 0.0 | 0.3 | 0.3 | 2.3 |
| Technical and Economic revisions | 0.5 | -1.1 | 1.6 | 1.6 | 0.4 |
| Acquisitions | 0.0 | 0.0 | 0.8 | 13.0 | 0.1 |
| Dispositions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Production | -1.6 | -1.4 | -1.4 | -1.8 | -2.4 |
| **Ending** | **16.9** | **14.4** | **15.7** | **28.9** | **29.1** |
| **Production Replacement - Proven Res** | | | | | |
| Drilling | 89% | 1% | 24% | 17% | 93% |
| Revisions | 28% | -81% | 116% | 91% | 14% |
| Net acquisitions | -1% | -1% | 58% | 743% | 2% |
| **Total** | **117%** | **-81%** | **198%** | **852%** | **109%** |
| **Crude Oil Reserves (MMBbls)** | | | | | |
| ***Proven plus Probable*** | | | | | |
| **Opening** | **28.4** | **30.2** | **25.5** | **27.5** | **46.1** |
| Drilling/Extensions | 3.2 | 0.0 | 1.1 | 1.8 | 2.9 |
| Technical and Economic revisions | 0.3 | -3.3 | 1.4 | 1.0 | -0.2 |
| Acquisitions | 0.0 | 0.0 | 1.0 | 17.5 | 0.1 |
| Dispositions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Production | -1.6 | -1.4 | -1.4 | -1.8 | -2.4 |
| **Ending** | **30.2** | **25.5** | **27.5** | **46.1** | **46.4** |
| **Production Replacement - Proven plus** | | | | | |
| Drilling | 193% | 1% | 78% | 105% | 117% |
| Revisions | 15% | -237% | 101% | 55% | -8% |
| Net acquisitions | -1% | 0% | 71% | 1000% | 4% |
| **Total** | **208%** | **-236%** | **249%** | **1160%** | **113%** |

| | 2019A | 2020A | 2021A | 2022A | 2023A |
|---|---|---|---|---|---|
| **Natural Gas Reserves (Bcf)** | | | | | |
| **Producing** | **75.5** | **66.6** | **82.3** | **105.9** | **95.5** |
| Non Producing | 23.7 | 22.4 | 22.7 | 25.6 | 29.5 |
| **Total Proven** | **99.2** | **88.9** | **105.0** | **131.5** | **125.0** |
| Probable | 65.1 | 58.2 | 58.7 | 77.7 | 78.7 |
| **Proven plus Probable** | **164.3** | **147.1** | **163.7** | **209.2** | **203.7** |
| Producing as % of Proven | *76%* | *75%* | *78%* | *81%* | *76%* |
| Proven as % of 2P | *60%* | *60%* | *64%* | *63%* | *61%* |
| **Reserve Life (Years)** | | | | | |
| Producing | 7.1 | 6.7 | 8.8 | 9.8 | 7.9 |
| Proven | 9.4 | 8.9 | 11.3 | 12.1 | 10.3 |
| Proven plus Probable | 15.5 | 14.8 | 17.6 | 19.3 | 16.8 |
| **Natural Gas Reserves (Bcf)** | | | | | |
| ***Proven*** | | | | | |
| **Opening** | **112.9** | **99.2** | **88.9** | **105.0** | **131.5** |
| Drilling/Extensions | 2.3 | 0.3 | 2.4 | 1.7 | 5.9 |
| Technical and Economic revisions | -5.4 | -0.6 | 14.5 | 8.7 | -0.9 |
| Acquisitions | 0.0 | 0.0 | 8.5 | 27.0 | 0.8 |
| Dispositions | 0.0 | 0.0 | -0.1 | 0.0 | -0.1 |
| Production | -10.6 | -10.0 | -9.3 | -10.8 | -12.1 |
| **Ending** | **99.2** | **88.9** | **105.0** | **131.5** | **125.1** |
| **Production Replacement - Proven Re** | | | | | |
| Drilling | 22% | 3% | 26% | 15% | 48% |
| Revisions | -51% | -6% | 156% | 80% | -7% |
| Net acquisitions | 0% | 0% | 90% | 249% | 6% |
| **Total** | **-29%** | **-3%** | **272%** | **345%** | **47%** |
| **Natural Gas Reserves (Bcf)** | | | | | |
| ***Proven plus Probable*** | | | | | |
| **Opening** | **174.1** | **164.3** | **147.1** | **163.7** | **209.2** |
| Drilling/Extensions | 4.8 | 0.4 | 8.6 | 12.1 | 8.7 |
| Technical and Economic revisions | -3.9 | -7.6 | 7.1 | 6.8 | -3.0 |
| Acquisitions | 0.0 | 0.0 | 10.2 | 37.6 | 1.1 |
| Dispositions | 0.0 | 0.0 | -0.1 | 0.0 | -0.1 |
| Production | -10.6 | -10.0 | -9.3 | -10.8 | -12.1 |
| **Ending** | **164.3** | **147.1** | **163.7** | **209.2** | **203.8** |
| **Production Replacement - Proven pl** | | | | | |
| Drilling | 45% | 4% | 93% | 111% | 72% |
| Revisions | -37% | -77% | 77% | 62% | -25% |
| Net acquisitions | 0% | 0% | 108% | 347% | 8% |
| **Total** | **8%** | **-72%** | **278%** | **521%** | **55%** |

| | 2019A | 2020A | 2021A | 2022A | 2023A |
|---|---|---|---|---|---|
| **Total Reserves (MMBoe)** | | | | | |
| **Producing** | **23.5** | **20.1** | **24.0** | **39.8** | **36.9** |
| Non Producing | 9.9 | 9.1 | 9.2 | 11.0 | 13.0 |
| **Total Proven** | **33.4** | **29.2** | **33.2** | **50.8** | **50.0** |
| Probable | 24.1 | 20.8 | 21.6 | 30.2 | 30.4 |
| **Proven plus Probable** | **57.5** | **50.0** | **54.8** | **81.0** | **80.4** |
| Producing as % of Proven | *70%* | *69%* | *72%* | *78%* | *74%* |
| Proven as % of 2P | *58%* | *58%* | *61%* | *63%* | *62%* |
| ***Oil Leverage (%)*** | ***52%*** | ***51%*** | ***50%*** | ***57%*** | ***58%*** |
| **Reserve Life (Years)** | | | | | |
| Producing | 6.9 | 6.6 | 8.2 | 11.2 | 8.3 |
| Proven | 9.8 | 9.6 | 11.4 | 14.3 | 11.2 |
| Proven plus Probable | 16.9 | 16.4 | 18.8 | 22.7 | 18.0 |
| **Total Reserves (MMBoe)** | | | | | |
| ***Proven*** | | | | | |
| **Opening** | **35.4** | **33.4** | **29.2** | **33.2** | **50.8** |
| Drilling/Extensions | 1.9 | 0.1 | 0.7 | 0.6 | 3.2 |
| Technical and Economic revisions | -0.4 | -1.2 | 4.0 | 3.1 | 0.2 |
| Acquisitions | 0.0 | 0.0 | 2.2 | 17.5 | 0.2 |
| Dispositions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Production | -3.4 | -3.1 | -2.9 | -3.6 | -4.5 |
| **Ending** | **33.4** | **29.2** | **33.2** | **50.8** | **49.9** |
| **Production Replacement - Proven** | | | | | |
| Drilling | 54% | 2% | 25% | 16% | 73% |
| Revisions | -13% | -41% | 137% | 86% | 5% |
| Net acquisitions | 0% | 0% | 75% | 493% | 4% |
| **Total** | **41%** | **-39%** | **238%** | **595%** | **81%** |
| **Total Reserves (MMBoe)** | | | | | |
| ***Proven plus Probable*** | | | | | |
| **Opening** | **57.4** | **57.5** | **50.0** | **54.8** | **81.0** |
| Drilling/Extensions | 4.0 | 0.1 | 2.5 | 3.9 | 4.3 |
| Technical and Economic revisions | -0.4 | -4.6 | 2.6 | 2.1 | -0.7 |
| Acquisitions | 0.0 | 0.0 | 2.7 | 23.8 | 0.3 |
| Dispositions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Production | -3.4 | -3.1 | -2.9 | -3.6 | -4.5 |
| **Ending** | **57.5** | **50.0** | **54.8** | **81.0** | **80.4** |
| **Production Replacement - Proven plus Probable Reserves** | | | | | |
| Drilling | 117% | 3% | 86% | 108% | 96% |
| Revisions | -12% | -150% | 88% | 59% | -15% |
| Net acquisitions | 0% | 0% | 91% | 669% | 6% |
| **Total** | **104%** | **-147%** | **264%** | **836%** | **87%** |

Source: Company data, VTC Research, January 2025

- 3-year average finding costs were ~$8.00/Boe on a 2P basis, and $9.30/Boe on proven only.
- Journey's PV10 proven net asset value was ~$7.21/sh at the end of 2023, significantly greater than the current share price. On a producing basis alone, net asset value is still around $5.00/Bbl.

## Figure 13: Finding Costs and Net Asset Value

| Journey Energy JOY | 2019A | 2020A | 2021A | 2022A | 2023A |
|---|---|---|---|---|---|
| **Capital Spending ($mm)** | | | | | |
| Land | $1.6 | $0.3 | $0.6 | $0.9 | $1.7 |
| Seismic | $0.4 | $0.0 | $0.0 | $0.1 | $0.4 |
| Drilling | $25.9 | $0.0 | $2.4 | $31.3 | $15.6 |
| Facilities | $8.2 | $6.8 | $0.0 | $9.3 | $22.2 |
| Other | $1.7 | $0.0 | $0.3 | $8.0 | $4.9 |
| **Total E&D** | **$37.8** | **$7.1** | **$3.2** | **$49.6** | **$44.8** |
| Acquisitions | $0.3 | $0.0 | $7.8 | $139.5 | $6.5 |
| Dispositions | -$0.5 | $0.0 | $0.0 | -$3.0 | -$5.5 |
| **Total Capex** | **$37.7** | **$7.1** | **$11.0** | **$186.1** | **$45.7** |
| *Spending by Segment (%)* | | | | | |
| Land | 4.3% | 4.7% | 5.6% | 0.5% | 3.8% |
| Seismic | 1.0% | 0.1% | 0.0% | 0.0% | 0.8% |
| Drilling | 68.7% | 0.0% | 21.6% | 16.8% | 34.2% |
| Facilities | 21.8% | 95.8% | 0.0% | 5.0% | 48.6% |
| Other | 4.6% | 0.0% | 2.4% | 4.3% | 10.6% |
| Net Acquisitions | -0.5% | -0.5% | 70.4% | 73.3% | 2.0% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| **FDC ($mm)** | | | | | |
| Proven | $130.0 | $90.2 | $97.6 | $142.3 | $142.3 |
| Proven plus Probable | $255.7 | $188.0 | $202.8 | $293.0 | $274.8 |

| | 2019A | 2020A | 2021A | 2022A | 2023A |
|---|---|---|---|---|---|
| **Finding Costs** | | | | | |
| **Total Reserve Additions** | | | | | |
| Proven (MMBoe) | 1.4 | -1.2 | 6.9 | 21.2 | 3.6 |
| Costs ($/Boe) | $31.85 | $27.73 | $2.66 | $10.90 | $12.67 |
| Proven plus Probable (MMBoe) | 3.6 | -4.5 | 7.7 | 29.8 | 3.9 |
| Costs ($/Boe) | $24.30 | $13.54 | $3.35 | $9.29 | $7.12 |
| **Reserve Additions excluding revisions** | | | | | |
| Proven (MMBoe) | 1.8 | 0.1 | 2.9 | 18.1 | 3.4 |
| Costs ($/Boe) | $24.29 | ($553.27) | $6.32 | $12.73 | $13.45 |
| Proven plus Probable (MMBoe) | 4.0 | 0.1 | 5.1 | 27.7 | 4.5 |
| Costs ($/Boe) | $21.84 | -$697.59 | $5.02 | $9.99 | $6.05 |
| **Reserve Additions excluding acquisitions/revisions** | | | | | |
| Proven (MMBoe) | 1.9 | 0.1 | 0.7 | 0.6 | 3.2 |
| Costs ($/Boe) | $24.27 | ($479.68) | $14.64 | $161.60 | $13.82 |
| Proven plus Probable (MMBoe) | 4.0 | 0.1 | 2.5 | 3.9 | 4.3 |
| Costs ($/Boe) | $21.81 | -$697.16 | $7.24 | $36.31 | $6.18 |
| **Recycle Ratio** | | | | | |
| Proven | 0.4x | 0.3x | 6.5x | 2.7x | 1.3x |
| Proven plus Probable | 0.5x | 0.6x | 5.2x | 3.1x | 2.2x |

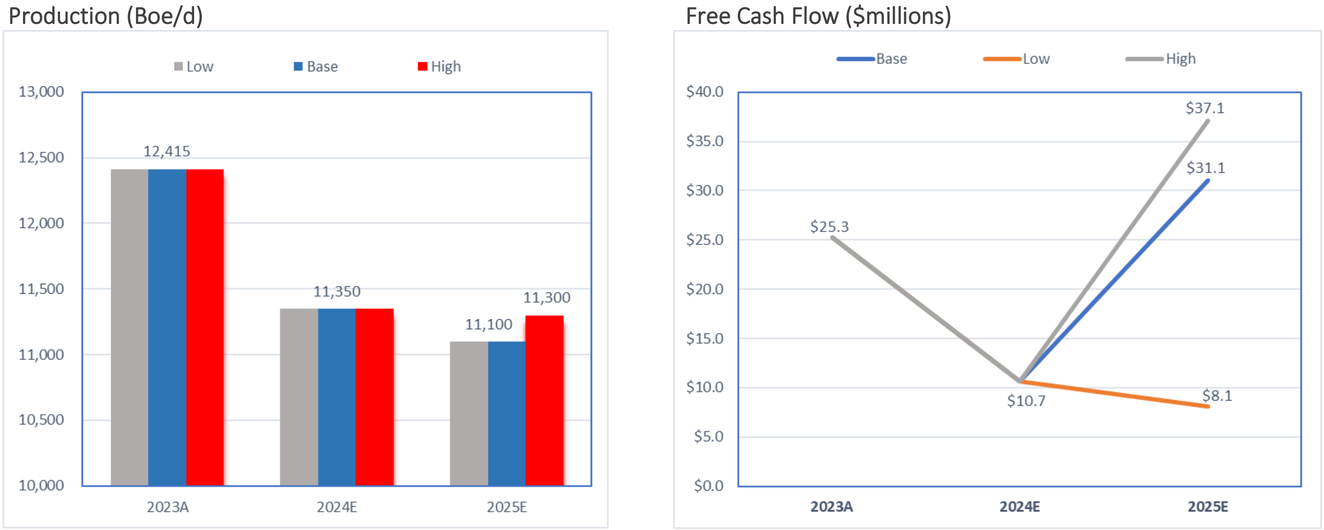
| | 2019A | 2020A | 2021A | 2022A | 2023A |
|---|---|---|---|---|---|
| **Reserves Value - (PV10 $mm)** | | | | | |
| **Producing** | **$198.8** | **$77.2** | **$180.1** | **$484.6** | **$361.9** |
| Non Producing | $58.5 | $39.9 | $76.1 | $120.3 | $142.2 |
| **Total Proven** | **$257.3** | **$117.2** | **$256.2** | **$604.9** | **$504.1** |
| Probable | $207.0 | $128.0 | $178.4 | $290.0 | $268.1 |
| **Proven plus Probable** | **$464.2** | **$245.1** | **$434.6** | **$894.9** | **$772.2** |
| **PV10 ($/Boe)** | | | | | |
| Producing | $8.46 | $3.84 | $7.49 | $12.17 | $9.79 |
| **Total Proven** | **$7.70** | **$4.01** | **$7.72** | **$11.90** | **$10.09** |
| Proven plus Probable | $8.07 | $4.90 | $7.93 | $11.05 | $9.61 |
| Operating Netback Per Boe | $11.62 | $8.67 | $17.28 | $29.19 | $15.93 |
| **Net Asset Value - (PV10 $mm)** | | | | | |
| **Reserves - Proven** | **$257.3** | **$117.2** | **$256.2** | **$604.9** | **$504.1** |
| Net Debt | -$127.7 | -$90.4 | -$57.0 | -$98.8 | -$61.7 |
| Other | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| **Total** | **$129.6** | **$26.8** | **$199.2** | **$506.1** | **$442.4** |
| ***NAV/Sh*** | ***$3.01*** | ***$0.61*** | ***$4.14*** | ***$8.74*** | ***$7.21*** |
| **Drilling Adds Per Well (MBoe/well)** | | | | | |
| Proven | 265 | na | na | 55 | 315 |
| Proven plus Probable | 567 | na | na | 363 | 418 |

Source: Company data, VTC Research, January 2025

# Scenario Analysis

- Our Base Case forecast: WTI of US$75.00 for 2025, with a NYMEX natural gas prices of US$3.10/mmbtu. Under this scenario there is a free cash flow capital spend of $46 million in 2025. There is potential the Company could see some incremental spending in H2/25 once the term debt is fully repaid.
- Our Low oil price scenario: WTI at US$65.00/Bbl for 2025. Under this price scenario, capital spending is still set at the $46 million, which essentially covers the Duvernay JV with Spartan Delta, polymer flood spending at Medicine Hat and remaining capital for the power assets at Gilby. At this free cash flow level, we believe the Company should still be able to repay its remaining term debt, although the timing difference of the payment schedule and cash flow might need to be managed.
- Our High oil price scenario: WTI of US$85.00 in 2025. Under this scenario we expect some additional growth capital, which will be back-end weighted and have more of an impact on 2026 production.

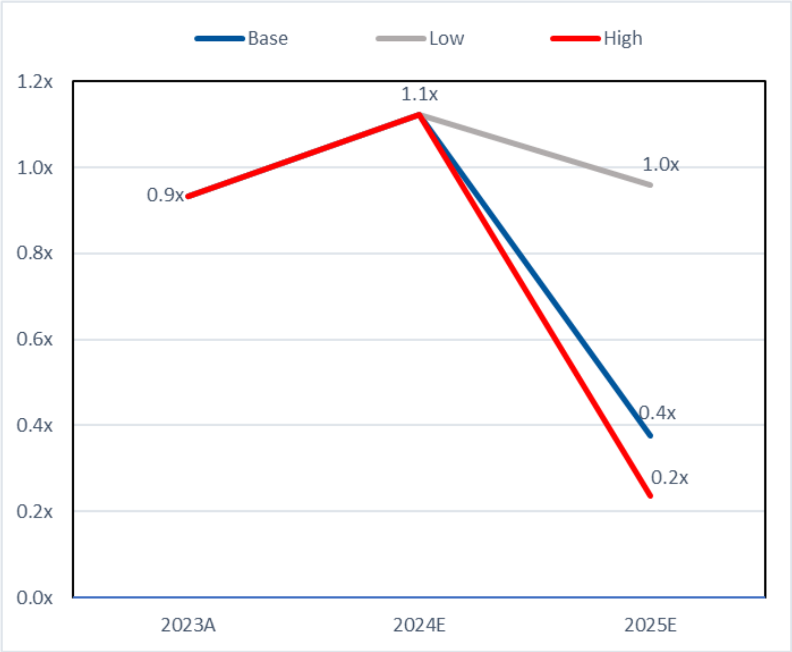
Figure 14: Production and Free Cash Flow Outlooks




Source: Company Reports, VTC Research, January 2025

- Debt leverage for the Company remains at a reasonable level, especially considering trough pricing for natural gas in 2024. Under our three scenarios for 2025, we expect the Company to remain at a low relative debt level.

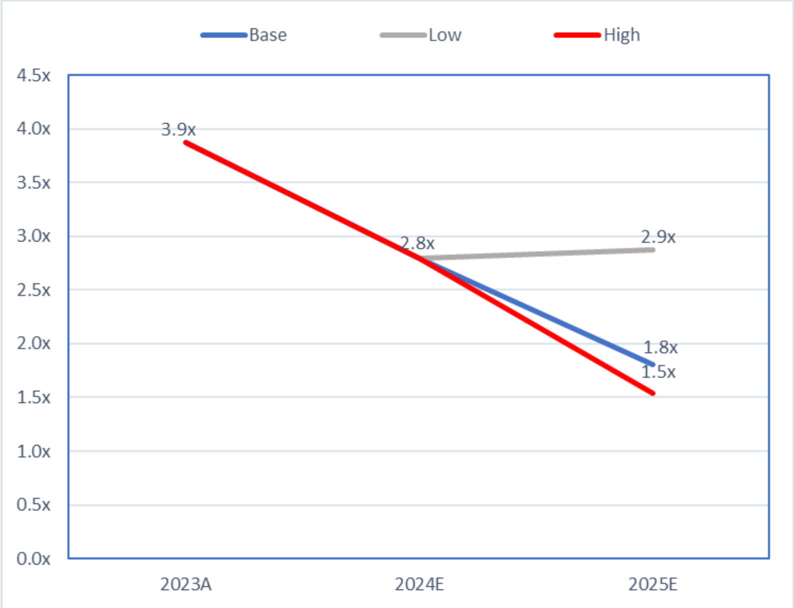
Figure 15: Debt leverage




Source: Company Reports, VTC Research, January 2025

- Journey's average multiple over the past five years has been 4.0x EV/EBITDA, which is well above where the Company is currently trading on 2024 and 2025. Even under our low price assumption, the share price would need to be significantly higher to attain its average multiple.

Figure 16: Valuation – EV/EBITDA (x)




Source: Company Reports, VTC Research, January 2025

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- Gerald Gilewicz, CFO
- Brett Boklaschuk, Vice President, Exploration
- Aaron Bell, Vice President, Engineering
- Guido De Ciancio, Vice President, Land
- Richard Tracy, Vice President, Operations
- Ryan Yates, Vice President, Business Development

*Joining Alex Verge on the Board of Directors are:*

- Craig Hansen, Chairman
- Thomas Mullane
- Steve Smith
- Scott Treadwell
- Jenna Kaye

Figure 17: Journey Model Summary

| | 2020A | 2021A | 2022A | 2023A | 2024E | 2025E | 2023A vs 2022A | 2024E vs 2023A |
|---|---|---|---|---|---|---|---|---|
| **Balance Sheet ($m)** | | | | | | | | |
| Total Assets | $287.7 | $357.2 | $639.2 | $610.1 | $603 | $612 | (5%) | (1%) |
| Year-end net debt | 90.4 | 57.0 | 98.8 | 61.7 | 60.0 | 29.0 | (38%) | (3%) |
| Shareholders' Equity | (19.8) | 84.3 | 284.7 | 316.4 | 323.4 | 344.5 | 11% | 2% |
| Debt/cash flow | 6.7x | 1.2x | 1.0x | 0.9x | 1.1x | 0.4x | (4%) | 20% |
| **Average Daily Production** | | | | | | | | |
| Crude oil and NGLs (Bbl/d) | 3,833 | 3,751 | 4,814 | 6,765 | 6,366 | 6,373 | 41% | (6%) |
| Natural gas (MMcf/d) | 27.3 | 25.5 | 29.8 | 33.9 | 29.9 | 28.4 | 14% | (12%) |
| **Total Production (Boe/d)** | **8,378** | **8,004** | **9,778** | **12,415** | **11,350** | **11,100** | **27%** | **(9%)** |
| Percent Gas (%) | 54% | 53% | 51% | 46% | 44% | 43% | (10%) | (4%) |
| **Operating Assumptions** | | | | | | | | |
| WTI oil price (US$/Bbl) | $39.42 | $67.97 | $94.22 | $77.64 | $76.17 | $75.00 | (18%) | (2%) |
| Crude oil & NGL price (C$/Bbl) | $34.63 | $66.03 | $97.10 | $77.40 | $78.50 | $80.30 | (20%) | 1% |
| Natural gas price (C$/Mcf) | $2.22 | $3.55 | $5.62 | $2.66 | $1.44 | $2.81 | (53%) | (46%) |
| **Equivalent average price (C$/Boe)** | **$22.15** | **$42.38** | **$65.09** | **$49.14** | **$47.62** | **$53.79** | **(25%)** | **(3%)** |
| **Net Back Analysis** | | | | | | | | |
| Field operating income ($/Boe) | $8.67 | $17.28 | $29.19 | $15.93 | $16.14 | $23.27 | (45%) | 1% |
| Cash flow ($/Boe) | $4.39 | $15.84 | $28.41 | $14.60 | $12.86 | $19.02 | (49%) | (12%) |
| Earnings ($/Boe) | ($18.5) | $33.93 | $43.48 | $3.49 | $0.69 | $5.21 | (92%) | (80%) |
| *Earnings as a percent of cash flow (%)* | *-420%* | *214%* | *153%* | *24%* | *5%* | *27%* | (84%) | (78%) |
| **Financials ($m)** | | | | | | | | |
| EBITDA | $26.4 | $65.0 | $110.9 | $77.0 | $63.0 | $90.0 | (31%) | (18%) |
| Basic Cash Flow | 13.5 | 46.3 | 101.4 | 66.1 | 53.4 | 77.1 | (35%) | (19%) |
| **CFPS ($/share)** | **$0.29** | **$1.02** | **$1.92** | **$1.09** | **$0.87** | **$1.26** | **(43%)** | **(21%)** |
| Dividends | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | na | na |
| DPS ($/share) | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | na | na |
| Earnings | ($56.6) | $99.1 | $155.2 | $15.8 | $2.9 | $21.1 | (90%) | (82%) |
| EPS ($/share) | ($1.31) | $2.19 | $2.97 | $0.27 | $0.05 | $0.34 | (91%) | (82%) |
| **Valuation Parameters** | | | | | | | | |
| Price / CFPS (x) | 2.4x | 2.6x | 2.8x | 3.5x | 2.2x | 1.7x | 25% | (38%) |
| Price / Earnings (x) | -0.5x | 1.2x | 1.8x | 14.5x | 40.3x | 6.3x | 690% | 177% |
| Yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | na | na |
| **Enterprise value (EV) to EBITDA (x)** | **4.6x** | **2.9x** | **3.7x** | **3.9x** | **2.8x** | **1.8x** | **4%** | **(28%)** |
| EV per Proven BOE ($/Boe) | $4.15 | $5.63 | $8.16 | $5.97 | $3.52 | $3.26 | (27%) | (41%) |
| EV per producing BOE ($/Boe/d) | $14,460 | $23,336 | $42,423 | $24,043 | $15,503 | $14,657 | (43%) | (36%) |
| Market Recycle Ratio | 2.1x | 3.1x | 3.6x | 2.7x | 4.6x | 7.1x | (25%) | 72% |
| **Capital Expenditures** | | | | | | | | |
| Capital spending ($m) | $7.1 | $7.3 | $106.5 | $40.9 | $42.8 | $46.0 | (62%) | 5% |
| Capital spending ($/share) | $0.16 | $0.16 | $2.04 | $0.69 | $0.70 | $0.75 | (66%) | 2% |
| Reinvestment ratio (%) | 52% | 16% | 105% | 62% | 80% | 60% | (41%) | 30% |

Source: Company Reports, VTC Research, January 2025

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VTCE's remuneration policy is designed to support key business strategies and to create a strong, performance-orientated environment. At the same time, the purpose of the policy is to attract, motivate and retain the company's talent. The policy ensures that a significant proportion of the remuneration of executives and others is aligned with corporate performance. The variable remuneration for all employees is discretionary and designed to reward outstanding performance, is dependent on financial and non-financial criteria, and is in line with VTCE's approach to risk. The company does not pay guaranteed bonuses. VTCE's remuneration policy takes into account and complies with the Dutch Financial Supervision Act. The Management and members of the Board of Directors of VTCE comply with regulatory competency standards. They have been assessed and approved by the Dutch Authority for the Financial Markets in respect of their integrity and suitability. All board members will undergo constant training to ensure that they will maintain sufficient knowledge and skill levels. They will stay abreast of important industry and regulatory developments to enable them to perform their duties adequately at all times.

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