



Date: March 20, 2018

Re: Amended 2017 Audit Report Date

The attached 2017 audited financial statements are being re-filed to show a correction to the audit report date. All other content remains as previously filed.



March 13, 2018

Independent Auditor's Report

To the Shareholders of Journey Energy Inc.

We have audited the accompanying consolidated financial statements of Journey Energy Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive (loss) income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Journey Energy Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

MANAGEMENT'S REPORT

To the Shareholders of Journey Energy Inc.

Management's Responsibility for the Consolidated Financial Statements:

The accompanying consolidated financial statements of Journey Energy Inc. (the "Company") are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management's Assessment of Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Management has established systems for internal controls, which are designed to provide reasonable assurance the Company's assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information. Internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems that have been determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, which is comprised of independent, non-management directors. The Audit Committee has reviewed the consolidated financial statements with both management and the Company's auditors. The Audit Committee meets at least on a quarterly basis and reports to the Board of Directors which has approved the consolidated financial statements.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders. PricewaterhouseCoopers LLP was appointed by a vote of the shareholders at the Company's last annual meeting. The auditors have full and free access to, and meet periodically and separately with, the Audit Committee, and management to discuss their audit findings.

"signed"

Alex G. Verge

President and Chief Executive Officer

"signed"

Gerald N. Gilewicz

Chief Financial Officer

Calgary, Canada

March 13, 2018

JOURNEY ENERGY INC.**Consolidated Statement of Financial Position***(in thousands of Canadian dollars)*

	Notes	December 31, 2017	December 31, 2016
ASSETS			
CURRENT			
Cash		8,227	1,584
Accounts receivable		16,111	14,055
Derivative contracts	19(b)	2,308	-
Prepaid expenses and deposits		1,319	1,614
Total current assets		27,965	17,253
Property, plant and equipment	6	345,482	329,882
Exploration and evaluation assets	7	11,333	9,991
Deferred tax asset	17	32,203	126,890
Total assets		416,983	484,016
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		28,290	21,256
Derivative contracts	19(b)	4,449	11,304
Bank debt	9	69,922	52,463
Deferred lease obligation		62	62
Decommissioning liabilities	11	2,476	2,025
Total current liabilities		105,199	87,110
Promissory notes	10	28,398	27,953
Deferred lease obligation		326	388
Derivative contracts	19(b)	16	1,434
Decommissioning liabilities	11	173,019	147,271
Total liabilities		306,958	264,156
EQUITY			
Share capital	12	386,017	368,428
Contributed surplus	15	32,301	24,628
Warrants	13	-	2,076
Deficit		(308,293)	(175,272)
Total equity		110,025	219,860
Total liabilities and equity		416,983	484,016
Commitments and contingencies	22		

The accompanying notes are an integral part of these consolidated Financial Statements.

APPROVED BY THE BOARD

“Signed” Glenn A. Hamilton, Director

“Signed” Alex G. Verge, Director

JOURNEY ENERGY INC.**Consolidated Statement of Comprehensive (Loss) Income
For the years ended December 31, 2017 and 2016***(in thousands of Canadian dollars, except per share data)*

	Notes	2017	2016
REVENUE			
Petroleum and natural gas sales	20(c)	110,085	87,239
Royalties		(14,084)	(9,900)
Gain (loss) on derivative contracts	19(b),25	12,001	(12,270)
Net revenue		108,002	65,069
EXPENSES			
Operating	23	48,751	37,116
Transportation		1,577	1,281
General and administrative		10,322	11,042
Share based compensation	14	2,735	2,937
Exploration and evaluation	7	3,703	3,229
Gain on disposal of assets	6	(5,596)	(25,604)
Transaction costs		628	185
Depletion and depreciation	6	34,853	28,008
Exploration and evaluation asset impairment	7	333	1,674
Property, plant and equipment impairment	6	50,328	22,347
Property, plant and equipment impairment reversal	6	(11,062)	(103,393)
Finance expenses	16	9,813	8,192
Total expenses		146,385	(12,986)
NET (LOSS) INCOME BEFORE TAXES		(38,383)	78,055
Deferred income tax expense	17	94,638	25,462
NET INCOME (LOSS) AND COMPREHENSIVE (LOSS) INCOME		(133,021)	52,593
NET (LOSS) INCOME PER SHARE	18		
Basic		(2.69)	1.21
Diluted		(2.69)	1.21

The accompanying notes are an integral part of these consolidated Financial Statements.

JOURNEY ENERGY INC.**Consolidated Statement of Changes in Equity***(in thousands of Canadian dollars)*

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2017	368,428	24,628	2,076	(175,272)	219,860
Comprehensive income	-	-	-	(133,021)	(133,021)
Exercise of warrants	15,688	-	(2,076)	-	13,612
Normal course issuer bid	(9,627)	7,467	-	-	(2,160)
Issued on asset acquisition	6,535	-	-	-	6,535
Flow through shares issued	2,193	-	-	-	2,193
Share issue costs, net of tax	(8)	-	-	-	(8)
Share based compensation, value of services recognized	-	3,303	-	-	3,303
Settlement of RSU's and PSU's	2,808	(3,097)	-	-	(289)
Balance, December 31, 2017	386,017	32,301	-	(308,293)	110,025

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2016	368,254	21,439	-	(227,865)	161,828
Comprehensive income	-	-	-	52,593	52,593
Warrants	-	-	2,076	-	2,076
Share based compensation, value of services recognized	-	3,472	-	-	3,472
Issued on exercise of options	22	(6)	-	-	16
Issued on settlement of RSU's	152	(277)	-	-	(125)
Balance, December 31, 2016	368,428	24,628	2,076	(175,272)	219,860

JOURNEY ENERGY INC.**Consolidated Statement of Cash Flows
For the years ended December 31, 2017 and 2016***(in thousands of Canadian dollars)*

	Notes	2017	2016
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:			
OPERATING			
Net income (loss)		(133,021)	52,593
Adjustments for:			
Unrealized loss (gain) on derivative contracts	19(b)	(10,581)	16,762
Share based compensation	14	2,735	2,937
Depletion and depreciation	6	34,853	28,008
Gain on disposal of assets		(5,596)	(25,604)
Exploration and evaluation impairment	7	333	1,674
Property, plant and equipment impairment	6	50,328	22,347
Property, plant and equipment impairment reversal	6	(11,062)	(103,393)
Accretion of decommissioning liabilities	11	3,721	3,171
Accretion of promissory notes	10	447	101
Deferred tax expense (recovery)	17	94,638	25,462
Exploration and evaluation expense	7	3,703	3,229
Decommissioning costs incurred	11	(827)	(526)
Cash flow provided by operating activity		29,671	26,761
Changes in non-cash working capital	20(a)	7,127	(9,428)
Total cash flow provided by operating activity		36,798	17,333
FINANCING			
Increase in bank debt		17,537	(37,537)
Proceeds from bank debt		-	-
Proceeds from issuance of promissory notes	10	-	30,000
Proceeds from stock option exercises		-	22
Settlement of RSU's		(289)	(131)
Issuance of share capital, net of issue costs		16,381	-
Normal course issuer bid	12(ii)	(2,160)	-
Changes in non-cash working capital	20(a)	(80)	(16)
Total cash flow provided by financing activity		31,389	(7,662)
INVESTING			
Additions to petroleum and natural gas properties	6	(29,842)	(15,730)
Additions to exploration and evaluation assets	7	(2,664)	(507)
Additions to administrative assets	6	(84)	(18)
Acquisition of producing petroleum and natural gas assets and exploration and evaluation assets	8	(33,388)	(5,017)
Disposition of producing petroleum and natural gas assets and exploration and evaluation assets	6	6,350	14,310
Changes in non-cash working capital	20(a)	(1,916)	(437)
Total cash flow provided by investing activity		(61,544)	(7,399)
NET INCREASE IN CASH		6,643	2,272
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR		1,584	(688)
CASH, END OF YEAR		8,227	1,584

20 (b)

Supplementary cash flow information

The accompanying notes are an integral part of these consolidated Financial Statements.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(thousands, except per share data)

1. INCORPORATION AND NATURE OF BUSINESS

Journey Energy Inc. (“Journey” or “the Company”), is a publicly traded company engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta, Canada. Journey’s shares trade on the Toronto Stock Exchange.

These consolidated financial statements present the results of operations for the Journey group of companies. Journey is comprised of the following entities: the Company and its wholly owned subsidiaries, Journey Energy Partnership and 1332993 Alberta Ltd. On September 30, 2016 Journey’s principal shareholder, Infra-PSP Canada Inc. (“PSP”) sold 75% of its holding in Journey to Maple Investments Ltd. (“MIE”). On February 2, 2018 Journey purchased 12,700 common shares of the Company from MIE and cancelled them. After the sale, MIE held 9.5% and PSP holds 14.1% of the outstanding common shares of the Company.

The registered address of Journey is 2400, 525 8th Avenue SW Calgary, Alberta, Canada and the corporate head office is located at 700, 517-10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) at March 13, 2018, the date the consolidated financial statements of the Company were authorized by the Board of Directors.

b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except as disclosed in the accounting policies in Note 3.

c) Functional and presentation currency and share data

The consolidated financial statements are presented in Canadian Dollars, the Company’s functional currency and all amounts are rounded to the nearest thousand (\$’000) except where otherwise indicated. Share data is presented in thousands of shares except for per share data. The consolidated financial statements have, in management’s opinion, been prepared using careful judgment within the framework of the significant judgments, estimates and assumptions summarized in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

b) Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

c) Joint arrangements

Many of Journey's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These consolidated financial statements reflect only Journey's share of these jointly controlled assets, and once production commences, a proportionate share of relevant revenue and related costs.

d) Revenue recognition

Revenue is comprised of the fair value of the consideration received or receivable from the sale of natural gas and crude oil products in the ordinary course of the Company's activities and is recognized when the significant risks and rewards of ownership have been transferred to the customer, the sales price and costs can be reasonably measured, and it is probable that future economic benefits will flow to the entity. This is generally met when title passes from the Company to its customer. Revenue from oil and gas production represents the Company's share, net of royalty payments to governments and freehold interest owners.

e) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, Journey Energy Partnership and 1332993 Alberta Ltd. (collectively "Journey Energy Inc."). The Company's subsidiaries include both incorporated and unincorporated entities, such as the partnership, for which the Corporation has the power to govern financial and operating policies. All intercompany transactions and balances are eliminated on consolidation.

f) Oil and natural gas exploration, evaluation and development expenditures

ij) Pre-exploration expenditures

Expenditures made by the Company during the geological and geophysical evaluation phase and before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed by the Company as incurred.

ii) Exploration and evaluation expenditures ("E&E")

Costs incurred after obtaining the rights to explore are capitalized as E&E intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include, but are not limited to, exploration license expenditures, leasehold acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability has been determined. If no reserves are found, the exploration asset is tested for impairment and if necessary, an impairment charge recognized as exploration and evaluation expense in the statement of comprehensive income may be taken. If extractable hydrocarbons are found and likely to be commercially developed, the costs will continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. The technical feasibility and commercial viability of extracting a hydrocarbon is considered to be determinable when proven or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven or probable reserves have been discovered and to confirm the continued intent to develop or otherwise extract value from the discovery. Upon determination of proven or probable reserves, exploration and evaluation assets attributable to those reserves are tested for impairment and reclassified from exploration and evaluation assets to oil and natural gas interest within property, plant and equipment. Expired lease costs are expensed as part of exploration and evaluation expense as they occur.

iii) Development and production costs

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. The cost of development and production assets includes: transfers from exploration and evaluation assets, which generally include the cost to drill development wells, including unsuccessful development or delineation wells, and the cost of associated land upon determination of technical feasibility and commercial viability; installation or completion of infrastructure facilities including the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads; are all capitalized within Cash Generating Units ("CGUs") unless impaired. Development and production assets are grouped into CGUs for impairment testing. As at December 31, 2017 the Company has the following CGUs: Pine Creek, Pembina, Matziwin, Herronton, Skiff, Sylvan Lake, Crystal, Cherhill, and Countess.

iv) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of comprehensive income as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proven and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income (loss) as incurred.

v) Depletion and depreciation

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The net carrying value of development and production assets is depleted using the unit-of-production method based on production for the period divided by the Company's estimated total proved and probable oil and natural gas reserve volumes (before royalties) for that area. Production and reserves volumes for natural gas are converted at the energy equivalent of six thousand cubic feet of natural gas to one barrel of oil. Estimates of future development costs for developing the proved and probable reserves are included in each area's depletion base.

Depreciation of office furniture and equipment is provided for on a 20% declining balance basis, and computers and ancillary equipment use a 30% declining balance basis. Depreciation of website design and implementation is based on a straight line basis over their estimated lives.

vi) Dispositions

Gains or losses are recognized on dispositions of property, plant and equipment and certain exploration and evaluation assets including asset swaps, farm-out transactions and complete dispositions. The gain or loss is measured as the difference between the fair value of the proceeds received, net of costs to sell, and the carrying value of the assets disposed, including capitalized asset decommissioning costs, unless the transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up can be reliably measured. When fair value is not used, the carrying amount of the asset given up is used as the cost of the asset acquired.

g) Impairment

I. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if the evidence indicates that one or more events have had a negative impact on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss in the period that the impairment is determined to have occurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in the statement of comprehensive income when there is objective evidence (such as financial difficulty or the probability of default by the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

II. Non-financial assets

Carrying values of exploration and evaluation assets, oil and gas properties and other property, plant and equipment are reviewed regularly to determine if indicators of impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the greater of the fair value of the asset less costs of disposal and the asset's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case it is determined at the CGU level. The Company has organized its assets into CGUs, which are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

If the carrying amount of the CGU exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of comprehensive income so as to reduce the carrying amount of the CGU to its recoverable amount.

Recoverable amounts are determined annually based on the greater of its fair value less costs of disposal or the value in use. Fair value less costs of disposal of oil and gas assets is generally determined by estimating the discounted after-tax future net cash flows for the CGUs. Future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the proved and probable reserves and then discounted using market-based rates to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU. Value in use is determined by estimating the present value of future net cash flows expected to be derived from the continued use of the asset in its present form and its eventual disposal.

For non-financial assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if objective evidence exists to support that there has been a change in the estimates used to determine the asset's recoverable amount

since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income (loss) net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liability

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

A decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made as at the Consolidated Statement of Financial Position date by management. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is recognized as accretion expense within finance expenses. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent that the provision was recognized.

i) Share based compensation

The Company may grant employees, directors and certain consultants warrants to purchase common shares of the Company. These warrants vest based on various share price thresholds. Journey accounts for performance warrants issued using the fair-value method, which estimates the value of the warrants at the grant date using a Modified Black Scholes pricing model weighted for probabilities of certain market vesting conditions. The fair value thus established is recognized as an expense with an equivalent increase to contributed surplus.

The Company has a stock option plan under which the entity may grant employees, directors and certain consultants the option to purchase common shares of the Company. The Board of Directors has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary date of the grant. The Company accounts for stock options granted using the fair-value method, which estimates the value of the options at the grant date using a Black Scholes pricing model. The fair value thus established is recognized as compensation expense over the service period with an equivalent increase to contributed surplus. A forfeiture rate is

estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

The Company also has a Restricted Stock Unit "RSU" plan and a Performance Stock Unit "PSU" plan. Under these plans the Company may grant employees, directors and consultants RSU's and or PSU's that vest over three year period from the date of issuance. RSU's vest fifty percent on the second anniversary date of issuance and fifty percent on the third anniversary date of issuance. The PSU's cliff vest on the third anniversary date of issuance. The PSU plan also contains a performance multiplier that ranges from zero to two hundred percent based on the Company's performance relative to a defined group of companies that are considered by Journey's compensation consultant to be a suitable compensation peer group. Journey has the option of settling the units that vest with either shares of Journey or with cash. Share based compensation expenses related to RSU's and PSU's is determined by the fair value method. The fair value of both units is determined by using the market price of Journey shares on the date of issuance. For PSU's an assumed multiplier of 1.0 is used to determine their aggregate expense. The fair value is then recognized as compensation expense over the service period with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of units that vest.

j) Finance income and expenses

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance expense is comprised of: interest expense on borrowings, accretion of the discount rate on provisions, and impairment losses recognized on financial assets.

k) Income taxes

I. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the Consolidated Statement of Financial Position date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income (loss).

II. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability settled.

Deferred income tax assets are recognized to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they will be realized simultaneously.

l) Obligations under lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income (loss) on a straight-line basis over the period of the lease.

m) Basic and diluted per share calculations

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. The Company uses the treasury stock method to determine the dilutive effect of share options. Under the treasury stock method, only “in-the-money” dilutive instruments impact the diluted calculations in computing diluted per share amounts.

n) Financial assets and liabilities

Financial assets and financial liabilities are recognized on the Company’s Consolidated Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred to a third party. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets at fair value through comprehensive income

“Financial assets at fair value through comprehensive income” includes financial assets held for trading and financial assets designated upon initial recognition at fair value through the statement of comprehensive income (loss).

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on financial assets held for trading are recognized in the statement of comprehensive income (loss).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income (loss) when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Fair value

The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the Consolidated Statement of Financial Position date. For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the debt instrument less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income (loss) when the liabilities are derecognized as well as through the amortization process.

o) Financial instruments

All financial instruments, including all derivatives, are recognized on the Consolidated Statement of Financial Position initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in income. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to income when derecognized or impaired. The Company uses the following classifications for its financial instruments:

Financial asset or liability	Category	Subsequent Measurement
Cash	Cash	Amortized cost
Accounts receivable and accrued revenues	Loans and receivables	Amortized cost
Derivative contracts	Fair value through statement of income (loss)	Fair value through statement of income (loss)
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Bank debt	Financial liabilities at amortized cost	Amortized cost
Promissory Notes	Financial liabilities at amortized cost	Amortized cost

Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument using the effective interest rate method.

The Company uses, from time to time, financial derivatives and non-financial derivatives, such as commodity sales contracts requiring physical delivery, to manage the price risk attributable to anticipated sale of petroleum and natural gas production and foreign exchange exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes. Journey has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, financial derivatives are classified as fair value through the statement of comprehensive income (loss) and are recorded on the Consolidated Statement of Financial Position at fair value.

The Company accounts for any physical sales and purchase contracts as executory contracts and as such are not recorded at fair value on the Consolidated Statement of Financial Position. Settlements on these physical sales contracts are recognized in petroleum and natural gas sales.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination.

Financial instruments measured at fair value on the Consolidated Statement of Financial Position require classification into one of the following levels of the fair value hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement of in its entirety. The Company has categorized its financial instruments that are fair valued on the Consolidated Statement of Financial Position according to the fair value hierarchy above (Note 19).

p) Flow through shares

Flow through shares permit an investor to claim deductions for tax purposes related to expenditures incurred by the issuer. The issuer explicitly renounces the right to claim these deductions in favour of the investor.

The proceeds from the issuance of flow through shares are allocated between the offering of shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the flow through shares. A deferred liability is recognized for this difference. The liability is derecognized when the qualifying tax attributes are renounced to the investor and qualifying expenditures have been incurred. At the time the renunciation documents are filed with the taxing authorities and the qualifying expenditures have been incurred, a deferred tax liability is recognized for the tax benefits foregone. Any difference between the deferred liability set up for the premium on the flow-through shares and the tax effect on the renounced expenditures is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

I. Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount which involves an estimate of uncollectible amounts.

II. Derivatives

The fair value of derivative contracts are based on published market prices as at the Consolidated Statement of Financial Position date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are recognized in the statement of comprehensive income (loss). The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices.

III. Oil and gas reserves

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

- i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates can materially impact the estimation of reserves.
- ii) Oil and natural gas prices – Forward price estimates are used in the cash flow models. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather and economic and geopolitical factors.

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

IV. Depletion and depreciation

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

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

These factors could include:

- Changes in proved and probable reserves.

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

V. Exploration and evaluation (“E&E”) assets

The decision to transfer assets from E&E to property, plant and equipment is based on the estimated proved and probable reserves which are in part used to determine a project’s technical feasibility and commercial viability.

VI. Impairment and impairment recoveries

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to dispose. These calculations require the use of estimates and assumptions including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs. Key assumptions in the determination of cash flows from reserves include reserves estimated by the Company’s independent qualified reserve evaluators. It is possible that any or all of these key assumptions may change which may then impact the estimated values of the oil and gas properties and then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

VII. Cash Generating Unit (“CGU”) definition

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

VIII. Decommissioning costs

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

IX. Share based compensation

The fair value of stock options, RSU’s, PSU’s and performance warrants granted are measured using a modified Black-Scholes pricing model. Measurement inputs include the Company’s share price on the measurement date, the exercise price of the option, the expected volatility of the Company’s shares, the expected life of the options and warrants, expected dividends and the risk-free rate of return. Where applicable, the expected volatility considers the historical volatility in the price of Journey’s publicly traded common shares over a period similar to the life of the equity grant, and in Management’s opinion, is indicative of future trends. The expected life of the

options is based on historical experience and estimates of the holder's behaviour. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest.

X. Income taxes

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction in which the Company operates. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded in the Consolidated Statement of Financial Position date could be materially impacted.

XI. Business Combinations

The determination of whether a transaction is a business combination or an asset acquisition is based on Management's assessment of each individual transaction based on the criteria outlined in IFRS 3. If determined to be a business combination the Company applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, the liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction.

5. NEW ACCOUNTING POLICIES

Future Changes in Accounting Standards

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively, treating all leases as finance leases. Short term leases of less than 12 months and leases of low value assets are exempt from the requirements and can continue to be treated as operating leases. Lessors will continue with the dual classification and that classification will determine how and when lease revenue will be recognized and what assets will be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "*Revenue From Contracts With Customers*" has already been adopted. Journey is currently assessing the impact of IFRS 16 on the Company's financial statements and the merit of early adoption.

On July 24, 2014, The IASB issued the final version of IFRS 9, "*Financial Instruments*" (IFRS 9) to replace IAS 39, "*Financial Instruments: Recognition and Measurement*" (IAS 39) IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income instead of net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Journey does not currently apply hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. Journey has assessed the impact of the standard and it is not expected to have a material impact on the Company's financial statements.

On May 28, 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”). IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Expanded disclosure requirements are also part of the standard. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. The standard is required to be either adopted retrospectively in full or using a modified approach where prior numbers remain and the retrospective effect is an adjustment to retained earnings. Journey has reviewed the underlying contracts that generate our revenue streams and determined that the standard will have no material impact on the Company’s financial statements aside from enhanced disclosure related to revenue. The standard will result in a change in presentation between petroleum and natural gas sales and operating expenses with no impact on consolidated net income. The Company has retrospectively adopted this standard on the effective date of January 1, 2018.

6. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Administrative	Total
Balance, January 1, 2016	1,399,327	4,189	1,403,516
Additions	15,730	18	15,748
Acquisition of producing petroleum and natural gas assets	10,803	-	10,803
Changes in decommissioning obligations	(5,408)	-	(5,408)
Capitalized share-based compensation	535	-	535
Dispositions of producing petroleum and natural gas assets	(261,729)	-	(261,729)
Transfer from exploration and evaluation assets	133	-	133
Balance, December 31, 2016	1,159,391	4,207	1,163,598
Additions	29,842	84	29,926
Acquisition of producing petroleum and natural gas assets	50,694	-	50,694
Changes in decommissioning obligations	14,903	-	14,903
Capitalized share-based compensation	568	-	568
Dispositions of producing petroleum and natural gas assets	(18,416)	-	(18,416)
Balance, December 31, 2017	1,236,982	4,291	1,241,273
	Petroleum and natural gas properties	Administrative	Total
Accumulated Depletion, Depreciation and Impairment losses			
Balance, January 1, 2016	(1,136,196)	(3,610)	(1,139,806)
Provision for the year	(27,833)	(175)	(28,008)
Disposals	253,052	-	253,052
Impairment	(22,347)	-	(22,347)
Impairment reversal	103,393	-	103,393
Balance, December 31, 2016	(829,931)	(3,785)	(833,716)
Provision for the year	(34,712)	(141)	(34,853)
Disposals	12,044	-	12,044
Impairment	(50,328)	-	(50,328)
Impairment reversal	11,062	-	11,062
Balance, December 31, 2017	(891,865)	(3,926)	(895,791)

	Petroleum and natural gas properties	Administrative	Total
Carrying Amounts			
January 1, 2016	263,131	579	263,710
December 31, 2016	329,460	422	329,882
December 31, 2017	345,117	365	345,482

Future development costs on proved plus probable undeveloped reserves of \$208,625 (December 31, 2016 - \$166,915) were included in the depletion calculation. During the year ended December 31, 2017, the Company capitalized \$1,180 (2016 - \$1,049) in salary, wages and benefits, and \$568 (2016 - \$535) of share based compensation expense that was directly related to developmental drilling activities.

In 2017 the Company disposed of non-core properties for cash proceeds of \$6,350 (2016 - \$14,310), which resulted in a gain of \$5,596 (2016 - \$25,604) being recorded in the comprehensive statement of income (loss).

At December 31, 2017 the Company tested its CGU's for impairment as well as the potential reversal of prior period impairments where indicators were present. It was determined that the carrying amounts of the Matziwin, Pembina, Pine Creek, Sylvan Lake, and Crystal CGUs exceeded their recoverable amount. Recoverable amount was calculated as the fair value of the assets less cost of disposal. The fair value less costs to dispose was determined with a discounted cash flow approach based on the year-end proved plus probable reserves and using an average of three reserve engineer's forecast commodity prices. Journey used a risk adjusted discount rate that varied by CGU based on the nature of the assets held in each CGU to determine the fair value at the measurement date. An impairment loss of \$50,328 was recorded for the year. The following table summarizes the impairments, recoverable amount and discount rate used for each CGU that was impaired during the year ended December 31, 2017.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment
Matziwin	50,420	10.0	13,342
Pembina	6,418	10.0	4,614
Pine Creek	6,712	14.6	6,430
Sylvan Lake	56,986	13.6	15,168
Crystal	55,908	13.8	10,774
	176,444		50,328

The impairment in these five CGUs was primarily attributable to the decline in future natural gas prices as used in the independent reserve evaluation as well as well performance in the Sylvan and Crystal CGUs. A one percent increase in the assumed discount rate would result in an additional impairment of \$16,344 for 2017 while a ten percent decrease in future planned cash flows would have increased the impairment for 2017 by \$27,084.

Journey further determined that as at December 31, 2017, the Herronton and Countess CGU's recoverable amounts were greater than their carrying values and consequently an impairment reversal of \$11,062 was required.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment reversal
Herronton	27,194	12.0	10,634
Countess	45,814	13.8	428
	73,008		11,062

The table below summarizes the benchmark prices for the next thirteen years used by the independent reserve evaluators in preparing the Company's reserve report.

	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par 40 API (\$Cdn/bbl)	Alberta AECO-spot (\$Cdn/mmbtu)	Foreign Exchange (\$US/\$CDN)
2018	57.50	68.60	2.43	0.7900
2019	60.90	72.02	2.77	0.8000
2020	64.13	74.48	3.19	0.8167
2021	68.33	78.60	3.48	0.8233
2022	71.19	80.84	3.67	0.8400
2023	73.15	82.83	3.76	0.8400
2024	75.16	85.17	3.85	0.8400
2025	77.17	87.53	3.93	0.8400
2026	79.01	89.66	4.02	0.8400
2027	80.60	91.49	4.10	0.8400
2028	82.20	93.31	4.19	0.8400
2029	83.83	95.15	4.28	0.8400
2030	85.52	97.09	4.37	0.8400

The annual escalation rate used after 2030 is 2.0%.

In 2016 the Company tested its CGU's for impairment as well as the potential reversal of prior period impairments where indicators were present. It was determined that the carrying amounts of the Herronton and Countess CGUs exceeded their recoverable amount. Recoverable amount was calculated as the fair value of the assets less cost of disposal. The fair value less cost to dispose was determined with a discounted cash flow approach based on the year-end proved plus probable reserves and using an average of three reserve engineer's forecast commodity prices. Journey used a risk adjusted discount rate that varied by CGU based on the nature of the assets held in each CGU to determine the fair value at the measurement date. An impairment loss of \$22,347 was recorded for the year. The following table summarizes the impairments, recoverable amount and discount rate used for each CGU that was impaired during the year ended December 31, 2016.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment
Herronton	32,584	12.0	19,099
Countess	63,356	13.8	3,248
	95,940		22,347

The impairment in these two CGUs was primarily attributable to the decline in future natural gas prices for Countess as used in the independent reserve evaluation as well as well performance in the Herronton CGU.

Journey further determined that as at December 31, 2016, five CGUs recoverable amounts were greater than their carrying values and consequently an impairment reversal was recorded. The CGUs where reversals were recorded were: Matziwin; Pembina; Sylvan Lake; Crystal and Cherhill. The increase in value associated with these CGUs was primarily the result of lower future development and operating costs and additional future wells recorded at the end of the year. The impairments reversals in 2016 of \$103,393 are comprised of the following:

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment reversal
Matziwin	76,488	10.0	30,298
Pembina	11,416	10.0	8,552
Sylvan Lake	35,034	12.0	18,667
Crystal	65,806	13.8	24,005
Cherhill	52,380	13.8	21,871
	241,124		103,393

The table below summarizes the benchmark prices used by the independent reserve evaluators in preparing the Company's 2016 reserve report.

	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par 40 API (\$Cdn/bbl)	Alberta AECO-spot (\$Cdn/mmbtu)	Foreign Exchange (\$US/\$CDN)
2017	55.00	68.24	3.43	0.7600
2018	60.90	73.16	3.17	0.7900
2019	65.47	76.25	3.26	0.8167
2020	69.13	79.37	3.67	0.8333
2021	73.21	82.56	3.86	0.8500
2022	75.19	84.85	3.97	0.8500
2023	77.19	87.15	4.11	0.8500
2024	79.23	89.50	4.23	0.8500
2025	81.28	91.89	4.31	0.8500
2026	83.39	94.01	4.41	0.8500
2027	85.03	95.85	4.51	0.8500
2028	86.73	97.78	4.60	0.8500
2029	88.48	99.74	4.68	0.8500

The annual escalation rate used after 2029 is 2.0%.

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. For the year ended December 31, 2017 \$nil (December 31, 2016 - \$133) was transferred to property, plant and equipment following the successful discovery of proven or probable reserves. Management determined that the fair value less costs of disposal of certain undeveloped lands had declined below Journey's carrying values and consequently an impairment of \$333 (2016 - \$1,674) was realized.

Balance, January 1, 2016	15,436
Additions	507
Acquisitions	117
Disposals	(1,033)
Transfer to oil and natural gas properties	(133)
Lease expiries	(3,229)
Impairment	(1,674)
Balance, December 31, 2016	9,991
Additions	2,664
Acquisitions	2,938
Disposals	(224)
Lease expiries	(1,988)
Transfer to expense	(1,715)
Impairment	(333)
Balance, December 31, 2017	11,333

8. ACQUISITIONS

During 2017 the Company made the following acquisitions:

- a) On January 25, 2017 the Company closed the acquisition of certain light oil and natural gas properties in the Crystal area, which complemented the Company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed \$1,028 to revenue and \$567 to net income before tax for the post acquisition period. Had the properties been

acquired on January 1, 2017 the effect on revenue would have been \$1,083 and the impact on net income before tax would have been \$601.

Fair value of net assets acquired	\$
Petroleum and natural gas properties	2,578
Exploration and evaluation assets	247
Decommissioning liability	(88)
	2,737
Consideration:	
Cash	2,737
	2,737

- b) On April 28, 2017 the Company closed the acquisition of certain light oil and natural gas properties predominantly in the Sylvan Lake and Pine Creek areas, which complemented the Company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. As part of the acquisition the Company incurred \$628 of transaction costs. This acquisition contributed \$10,218 to revenue and \$4,216 to net income before tax for the post acquisition period. Had the properties been acquired on January 1, 2017 the effect on revenue would have been \$15,222 and the impact on net income before tax would have been \$6,281.

Fair value of net assets acquired	\$
Petroleum and natural gas properties	42,739
Exploration and evaluation assets	2,641
Decommissioning liability	(10,950)
	34,430
Consideration:	
Share consideration	6,000
Cash	28,430
	34,430

- c) On November 30, 2017 the Company closed the acquisition of light oil and natural gas properties in the Gilby area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed \$93 to revenue and \$51 to net operating income for the post acquisition period. If the properties would have been acquired January 1, 2017 the effect on revenue would have been \$1,117 and a \$614 impact on operating income.

Fair value of net assets acquired	\$
Petroleum and natural gas properties	2,198
Decommissioning liability	(1,204)
	994
Consideration:	
Cash	994
	994

In addition to the above Journey made eight other minor acquisitions that had cumulative acquisition costs of \$3,181 (\$1,227 cash consideration). Six of the acquisitions were cash purchases and the other two through asset swap arrangements.

During 2016 the Company made the following acquisitions:

- a) On February 4, 2016 the Company closed the acquisition of a light oil property in the Herronton area, which complemented the Company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed \$210 to revenue and \$144 to net operating income for the post acquisition period. Had the properties been acquired on January 1, 2016 the effect on revenue would have been \$232 and a \$161 impact on operating income.

Fair value of net assets acquired	\$
Petroleum and natural gas properties	635
Decommissioning liability	(13)
	622
Consideration:	
Cash	622
	622

- b) On June 24, 2016 the Company closed the acquisition of certain light oil and natural gas properties in the Countess area, which complemented the Company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed \$1,412 to revenue and \$677 to net operating income for the post acquisition period. If the properties would have been acquired January 1, 2016 the effect on revenue would have been \$2,340 and a \$972 impact on operating income.

Fair value of net assets acquired	\$
Petroleum and natural gas properties	4,952
Decommissioning liability	(1,507)
	3,445
Consideration:	
Cash	3,445
	3,445

- c) On August 17, 2016 the Company closed the acquisition of light oil and natural gas properties in the Countess area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed \$1,343 to revenue and \$742 to net operating income for the post acquisition period. If the properties would have been acquired January 1, 2016 the effect on revenue would have been \$2,473 and a \$966 impact on operating income.

Fair value of net assets acquired	\$
Petroleum and natural gas properties	3,648
Decommissioning liability	(3,198)
	450
Consideration:	
Cash	450
	450

In addition to the above Journey made four other minor acquisitions that had cumulative acquisition costs of \$1,568 (\$500 cash consideration). Two of the acquisitions were cash purchases and the other two through asset swap arrangements.

9. BANK DEBT

As at December 31, 2017, Journey had a \$125,000 (December 31, 2016 - \$90,000) credit facility with a syndicate of banks. This facility was comprised of a production facility of \$110,000 and a working capital facility of \$15,000. The production and working capital facilities are available on a revolving basis until their maturity on April 30, 2018. At maturity, and upon a request from Journey, and subject to the syndicates' approval, the facilities may be extended by one year.

Advances under the facilities are available by way of prime rate loans with interest rates of between 1.0 percent and 4.5 percent over the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent depending on the debt to cash flow ratio as calculated as of the Company's immediately preceding quarter end. Standby fees are charged on the undrawn facilities

at rates ranging from 0.5 percent to 1.375 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility, including renewal fees for the year ended December 31, 2017 was 5.9% (2016 – 5.3%). At December 31, 2017 the Company had an outstanding letter of credit in the amount of \$375 that expires on June 30, 2018.

The credit facilities are secured by a \$500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. In addition, there are certain standard non-financial covenants in its credit facility agreement. Journey is in compliance with all covenants as at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Revolving credit facility	70,000	52,463
Unamortized deferred financing costs	(78)	-
Balance, at end of year	69,922	52,463

10. PROMISSORY NOTES

On October 6, 2016 Journey entered into a private placement financing whereby 30,000 units (the "Units") were issued at a per unit price of \$1,000 for aggregate proceeds of \$30,000. Each unit is comprised of: (i) one promissory note (the "Notes") with a par value of \$1 thousand per Note, bearing interest at 7.65% per annum with interest payable semi-annually, and (ii) 165 common share purchase warrants (the "Warrants"). The Notes mature on October 31, 2020 and all or a portion of the outstanding principal can be repaid by Journey without penalty after two years. The Notes are secured by a \$30,000 floating charge debenture over all of the Company's assets and are subordinate to any current or future claims under the banking credit facility (Note 9). A total of 4,950 warrants were issued under this placement and were originally set to expire on October 6, 2018. The Warrants were convertible into common shares on a one for one basis and had an exercise price of \$2.75 per warrant. On March 2, 2017 all of the Warrants were exercised and 4,950 common shares were issued.

The Notes were determined to be a hybrid instrument with an embedded derivative. The fair value of the debt component was determined at the date of issuance to be \$27,924 using the effective interest rate method (9.4%). Under this method, the future payments of interest and principal are discounted using a rate of interest that would be reflective of a similar debt instrument, but without the warrant feature. The difference between the principal amount of the Notes and the discounted value was allocated to the value of the Warrants. The initial value of the debt will accrete up to the principal amount of the Notes throughout the term of the Notes. For the year ended December 31, 2017 Journey recognized \$2,295 (2016 - \$541) of interest and \$447 (2016 - \$101) of accretion related to the Promissory Notes.

Principal amount of Promissory Notes	30,000
Less: value allocated to Warrants	(2,076)
Fair value at date of issue on October 6, 2016	27,924
Accretion expense	101
Unamortized deferred issuance expenses	(72)
Promissory Notes, December 31, 2016	27,953
Accretion expense	447
Unamortized deferred issuance expenses	(2)
Promissory Notes, December 31, 2017	28,398

11. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the net ownership interests it has in petroleum and natural gas assets, which include: well sites, gathering systems, processing facilities and batteries. The Company estimates the total undiscounted, unescalated amount of cash flows required to settle its decommissioning liabilities at December 31, 2017 to be \$190,026 (December 31, 2016 - \$161,058,) the majority of which, will be incurred at various times between 2018 and 2070. The present value of the decommissioning liabilities as at December 31, 2017 was calculated using a risk free rate of 2.2% (December 31, 2016 – 2.2%) and an inflation factor of 2.0% (December 31, 2016 – 2.0%). Settlement of the liabilities will be funded from general corporate funds at the time of retirement or removal. As at December 31, 2017, no funds have been set aside to settle these obligations. Changes to decommissioning liabilities during the years ended December 31, were as follows:

	2017	2016
Balance, at beginning of year	149,296	167,160
Liabilities acquired of during year	14,244	5,903
Revaluation of liabilities acquired during the year ⁽¹⁾	23,917	16,821
Liabilities disposed of during the year	(5,842)	(21,004)
Incurred on development activities during the year	1,164	501
Liabilities settled during the year	(827)	(526)
Revisions to estimates	(3,220)	(9,168)
Changes in discount rate	(6,958)	(13,562)
Accretion	3,721	3,171
Balance, at end of year	175,495	149,296

⁽¹⁾ These amounts relate to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the dates of acquisition the acquired decommissioning liabilities were fair valued at the credit adjusted risk free rate.

12. SHARE CAPITAL

As at December 31, 2017 Journey has an unlimited number of voting common shares that may be authorized and issued. Each common share is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any dividends from the Company and in the assets in the event of termination or winding up of the Company. All common shares have no par value and are of the same class with equal rights and privileges. In addition, the Company has an unlimited number of preferred shares with no par value available for issuance.

Restricted voting shares have the same rights, privileges, restrictions and conditions as common shares, except that holders of restricted voting shares are not entitled to vote in respect of the election of directors of the Company. The shares shall be automatically converted to common shares on a one for one basis upon the sale of the shares to any third party.

COMMON SHARES	Number	Amount
Balance, January 1, 2016	29,088	261,050
Transfer from restricted voting shares (i)	14,527	107,204
Issued on exercise of options and RSU's	88	22
Transfer from contributed surplus on exercise of stock options	-	152
Balance, December 31, 2016	43,703	368,428
Issued on warrant exercise (Note 13)	4,950	15,688
Normal course issuer bid (ii)	(1,270)	(9,627)
Issued on asset acquisition (Note 8(b))	2,076	6,000
Issued for services (iii)	185	535
Issued on exercise of PSU's and RSU's	576	2,808
Flow-through shares issued (iv)	1,020	2,193
Share issue costs, net of tax	-	(8)
Balance, December 31, 2017	51,240	386,017
RESTRICTED VOTING SHARES	Number	Amount
Balance, January 1, 2016	14,527	107,204
Transfer to common shares (ii)	(14,527)	(107,204)
Balance, December 31, 2016 and December 31, 2017	-	-
TOTAL SHARE CAPITAL	Number	Amount
Total share capital, December 31, 2016	43,703	368,428
Total share capital, December 31, 2017	51,240	386,017

i. *Restricted voting shares*

On September 30, 2016, PSP disposed of their restricted voting shares in an arm's length transaction. After this date there were no restricted voting shares outstanding.

ii. *Normal course issuer bid*

Pursuant to the Normal Course Issuer Bid ("NCIB") approved by the Toronto Stock Exchange, the Company is able to purchase up to 2,522 common shares for cancellation. The bid period commenced on June 19, 2017 and was initially set to end on June 18, 2018. As required by the Toronto Stock Exchange, the NCIB terminated early on February 2, 2018 concurrently with the purchase of shares from MIE (Note 25(a)). During the year ended December 31, 2017 Journey repurchased 1,270 shares (2016 – nil) for \$2,160 representing an average cost of \$1.70 per common share. \$9,627 was charged to share capital and the balance of \$7,467 was charged to contributed surplus.

iii. *Transaction costs*

185 common shares at an aggregate value of \$535 were issued in lieu of cash payment for advisory fees to an investment bank in respect of the Sylvan Lake/Pine Creek acquisition (Note 8(b)).

iv. *Flow through shares*

On October 11, 2017 1,020 flow-through shares were issued for total proceeds of \$2,244. A deferred liability of \$51 was recognized for the premium on the flow-through shares. The liability was de-recognized when the Company incurred the qualifying expenditures with the offsetting amount going to share capital. The difference between the liability and the tax effect of renounced expenditures of \$555 (Note 17) was recognized in the statement of comprehensive income (loss) as deferred income tax expense. All qualifying expenditures were incurred before December 31, 2017.

13. WARRANTS

	Number	Amount
Balance, January 1, 2016	-	-
Issued in private placement	4,950	2,076
Balance, December 31, 2016	4,950	2,076
Exercised	(4,950)	(2,076)
Balance, December 31, 2017	-	-

As part of a private placement of Promissory Notes (Note 10), 4,950 share purchase warrants were issued. The warrants were convertible into common shares of Journey on a one for one basis and having an exercise price of \$2.75 per warrant. The fair value of the warrants was determined by discounting the total principal and interest payments and subtracting this from the nominal amount of the principal and interest payments (Note 10). On March 2, 2017 all of the outstanding warrants were exercised and 4,950 common shares were issued.

14. SHARE BASED COMPENSATION

The shareholders of Journey have approved a share based compensation plan which allows for up to 10% of the post-initial public offering common shares outstanding, to be reserved for issuance under the plan. 4,506 (2016 – 3,513) of the incentive units outstanding as of December 31, 2017 count towards the 10% limitation. 2,623 incentive units outstanding as of December 31, 2017 (December 31, 2016 – 2,870) that were issued before the Company went public in June of 2014 were excluded from this limitation. Below are the long term incentives currently outstanding under the share based compensation plan.

a) Restricted share units (“RSU”)

RSU’s may be granted to employees as part of their compensation. RSU’s vest over three years from the date of issuance. Half of the RSU’s vest on the second anniversary of issuance and half on the third anniversary. Upon vesting, the RSU’s are settled by Journey either issuing the employee shares from treasury or by way of cash payment. The method of settlement is at the sole discretion of the Company. The fair value of the RSU’s is deemed to be equal to the stock price of the Company on the date of grant. During the year ended December 31, 2017, \$2,145 (2016 – \$1,388) was charged to share based compensation expense in respect of the RSU’s. During the year ended December 31, 2017 712 (2016 – 139) RSU’s vested and were exercised.

The following table summarizes the number of RSU’s outstanding:

Balance at January 1, 2016	1,076
Granted	521
Exercised	(139)
Forfeited	(150)
Balance at December 31, 2016	1,308
Granted	1,593
Exercised	(712)
Forfeited	(95)
Balance at December 31, 2017	2,094

As at December 31, 2017 and December 31, 2016 there were no RSU’s that were exercisable.

b) Performance share units (“PSU”)

The Company periodically grants PSU’s to certain employees that cliff vest on the third anniversary date of issuance. The PSU’s have a performance multiplier relating to the Company’s performance relative to an established group of peer companies. This type of feature is dependent on market conditions, and therefore is required to be incorporated into the measurement of the grant date fair value. The Company has determined the most probable outcome is performance relatively equal to our peer group and has accordingly used a multiplier of one for the calculation of fair value on the date of issuance. During the period ended December 31, 2017 \$482 (2016 – \$301) was charged to share based compensation expense. The settlement method is at the sole discretion of the Company in either cash or shares issued from treasury. During the year ended December 31, 2017, 65 (2016 – nil) PSU’s vested and were exercised.

The following table summarizes the number of PSU’s outstanding:

Balance at January 1, 2016	313
Granted	249
Forfeited	(58)
Balance at December 31, 2016	504
Granted	305
Exercised	(65)
Forfeited	(15)
Balance at December 31, 2017	729

As at December 31, 2017 and December 31, 2016 there were no PSU’s that were exercisable.

c) Stock option plan

All stock options granted have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant.

The following stock options were outstanding at the end of the respective years:

	Stock options	Weighted Average exercise price \$	Number of options exercisable
Balance, January 1, 2016	2,745	7.26	1,464
Granted	1,250	2.00	-
Forfeited	(599)	6.89	(443)
Surrendered	(577)	9.39	(192)
Exercised	(12)	1.86	(12)
Balance at December 31, 2016	2,807	4.58	1,207
Granted	80	2.65	-
Forfeited	(194)	6.44	(123)
Balance at December 31, 2017	2,693	4.39	1,693

On September 30, 2016 holders of 577 stock options with a strike price of \$9.39 voluntarily surrendered their options. The surrender resulted in an acceleration of the remaining \$180 of share

based compensation expense being recognized in the consolidated statement of comprehensive income.

During 2016 the board of directors passed a resolution to extend the expiry date of the options having a \$6.00 strike price by one year to June 30, 2018. As at December 31, 2017 there were 1,693 (December 31, 2016 – 1,207) stock options that were exercisable.

During the year ended December 31, 2017, no stock options were exercised.

Exercise price	Number of options outstanding	Number of options exercisable	Weighted average years to expiry
\$1.33	30	10	3.0
\$1.73	13	9	2.9
\$1.75	20	-	4.8
\$1.91	499	166	3.3
\$2.03	10	7	2.7
\$2.12	629	210	3.8
\$2.85	25	-	4.3
\$3.01	35	-	4.3
\$5.26	422	281	2.3
\$6.00	745	745	0.5
\$8.00	159	159	0.7
\$12.00	106	106	1.2
	2,693	1,693	2.2

The Company accounts for its stock options granted to employees and officers using the fair value method. The fair value of each option granted is estimated on the date of grant using a Black-Scholes option pricing model. Under this model the following assumptions have been used:

	2017	2016
Risk free rate (%)	1.0	0.7
Expected life (years)	5	5
Expected volatility (%)	64	66
Expected dividends	-	-
Forfeiture rate (%)	2	2

For the year ended December 31, 2017, 80 (2016 – 1,250) stock options were granted to employees. During the year ended 2017 \$207 (December 31, 2016 - \$786) was recorded as share based compensation expense and \$568 (December 31, 2016 - \$535) was capitalized with respect to grants of RSU's, PSU's and stock options related to technical personnel engaged in exploration and development activities. A corresponding credit to contributed surplus was made for these amounts.

The option grants during 2017 had a weighted average fair value expense attributed to them of \$1.42 (2016 – \$1.25).

d) Performance warrants

The performance warrants are exercisable at \$6.00 for the Series A warrants; \$7.00 for the Series B warrants; and \$8.50 or \$12.00 for the Series C warrants. Each performance warrant is convertible into one common share of Journey. The performance warrants have a vesting condition based on the "value" of Journey shares. For series A and B, one third of the performance warrants vest when the value of the common shares reaches \$10.00 per share; the next third at \$11.00 per share and the last third at \$12.00 per share. For series C performance warrants, one third of the performance warrants vest when the Value of the common shares reaches \$12.00 per share; the next third at \$13.00 per share and the last third at \$14.00 per share. Value is defined as the price at which any of the

following occurs: a takeover bid for Journey; the Journey shares trade on a stock exchange for five consecutive days; or upon the issuance of equity pursuant to a public or private placement. All performance warrants also have a time vesting component of one-third increments annually on the anniversary date of the grant. The performance warrants had an initial expiry of July 1, 2017. During the year ended December 31, 2016 the board of directors approved a resolution extending the expiry of all the outstanding performance warrants by one year to July 1, 2018.

The following performance warrants were outstanding at the end of the respective periods:

Series A	Number	Weighted average exercise price \$	Weighted average fair value per warrant \$
Balance at January 1, 2016	197	6.00	3.78
Forfeited	(46)	6.00	3.78
Balance at December 31, 2016	151	6.00	3.78
Forfeited	(1)	6.00	3.78
Balance at December 31, 2017	150	6.00	3.78

All 150 of the series A performance warrants outstanding at December 31, 2017 (December 31, 2016 – 151) were exercisable.

Series B	Number	Weighted average exercise price \$	Weighted average fair value per warrant \$
Balance at January 1, 2016	388	7.00	3.46
Forfeited	(90)	7.00	3.46
Balance at December 31, 2016	298	7.00	3.46
Forfeited	(2)	7.00	3.46
Balance at December 31, 2017	296	7.00	3.46

All 296 of the outstanding series B performance warrants at December 31, 2017 (December 31, 2016 – 298) were exercisable.

The fair value of the Series A and Series B performance warrants issued in 2013 were estimated on the date of issue in 2013 using a modified Black Scholes pricing model with the following assumptions: risk free rate of 1.7%; probability of vesting of 33%; expected life of three and three quarter years and expected volatility of 60%.

Series C	Number	Weighted average exercise price \$	Weighted average fair value per warrant \$
Balance at January 1, 2016	372	11.14	5.23
Forfeited	(33)	12.00	5.01
Balance at December 31, 2016	339	11.06	5.25
Forfeited	(147)	10.51	5.39
Balance at December 31, 2017	192	11.48	5.14

64 of the outstanding series C performance warrants were exercisable at December 31, 2017 (December 31, 2016 – 113).

The fair value of Series C performance warrants was estimated on the date of issue using a modified Black Scholes pricing model with the following assumptions: risk free rate of 1.5%; expected life of three and one half years; expected volatility of 58% and a 100% probability of vesting. During the year ended December 31, 2017, \$(99) (December 31, 2016 - \$462) was credited to share based compensation expense for the forfeiture of unvested warrants.

e) Share purchase warrants

Concurrent with the private placements to employees during 2012, share purchase warrants were issued on the basis of one warrant for each common share issued and have a strike price of \$6.98 per warrant. Each warrant is exercisable into one common share of Journey and had an initial expiry of July 1, 2017. During the year ended December 31, 2016 the board of directors approved an extension of the expiry of the warrants by one year to July 1, 2018. There were no vesting conditions associated with these warrants.

The share purchase warrants outstanding at the respective year ends were as follows:

	Issued	Weighted average exercise price \$	Weighted average fair value per warrant \$
Balance at January 1, 2016	975	6.98	2.16
Exercised	-	-	-
Balance at December 31, 2016 and 2017	975	6.98	2.16

(f) Employee Share Ownership Plan (“ESOP”)

The ESOP plan provides for contributions by Journey at the rate of two times the amount an employee contributes to a maximum of 5% of their base salary. Effective June 1, 2015 the employer contributions were reduced to match the employee’s contributions to a maximum of 5%. Effective April 1, 2017 the Company’s matching contribution was reinstated back to two times the employee contributions. Both the employee and the employer contributions are combined and used to purchase Journey shares in the public market. The Company contributions are expensed under general and administrative expense.

15. CONTRIBUTED SURPLUS

The following table reconciles the Company’s contributed surplus as at December 31,

	2017	2016
Balance at January 1	24,628	21,439
Share based compensation expense	2,735	2,937
Share based compensation capitalized	568	535
Options exercised	-	(6)
RSU’s and PSU’s vested and settled	(3,097)	(277)
Normal course issuer bid	7,467	-
Balance at December 31	32,301	24,628

16. FINANCE EXPENSE

Finance expense is comprised of the following:

	2017	2016
Interest and bank charges	5,677	4,988
Finance income	(32)	(68)
Accretion on decommissioning liabilities	3,721	3,171
Accretion on Promissory Notes	447	101
Finance expense	9,813	8,192

17. DEFERRED INCOME TAXES

The provision for deferred income tax reflects an effective rate which differs from the expected, statutory, federal and provincial income tax rates. Differences between the statutory rate and the effective rate for the years ended December 31, 2017 and 2016 are reconciled as follows:

	2017	2016
Net income (loss) before taxes	(38,383)	78,055
Expected income tax expense (recovery) at the statutory rate of 27.0% (2016 – 27.0%)	(10,363)	21,075
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	127	35
Share based compensation expense	424	809
Changes in expected tax basis	(220)	9
Changes in enacted tax rates	-	83
Flow-through share expense	555	-
De-recognition of previously recognized deferred tax asset	104,115	3,451
	94,638	25,462

The components of the net deferred tax assets (liabilities) are as follows:

	2017	2016
PP&E and E&E assets	(24,142)	60,386
Decommissioning obligations	47,359	40,285
Fair value of financial instruments	662	3,519
Share issue costs	592	1,185
Debt issue costs	158	159
Non-capital losses	7,574	21,356
Net deferred tax asset	32,203	126,890

During 2017, the Company de-recognized deferred tax assets of \$104,115 (2016 - \$3,451) in respect of deductible temporary differences due to the uncertainty that sufficient future taxable profit will be generated against which the Company can utilize the benefits of certain tax pools acquired in previous business combinations; plus those tax pools in excess of the carrying amount of property, plant and equipment assets. The estimation of future taxable profit was based primarily on the projected cash flows from the reserve report prepared by Journey's independent reserve evaluators and effective December 31, 2017. The net deferred tax asset is considered to be non-current.

The movements in deferred income tax assets (liabilities) were as follows:

	PP&E and E&E	Decom- missioning	Tax Losses	Risk Manage- ment	Share issue costs	Debt issue costs	Total
As at January 1, 2016	76,207	45,134	30,125	(1,007)	1,834	59	152,352
Recognized in income	(15,821)	(4,849)	(8,769)	4,526	(649)	100	(25,462)
As at December 31, 2016	60,386	40,285	21,356	3,519	1,185	159	126,890
Recognized in income	(84,528)	7,074	(13,782)	(2,857)	(595)	(1)	(94,689)
Recognized in equity	-	-	-	-	2	-	2
As at December 31, 2017	(24,142)	47,359	7,574	662	592	158	32,203

The amount of tax pools available at the respective year-ends, excluding those pools associated with the deferred tax asset that was de-recognized, were as follows:

	December 31, 2017	December 31, 2016
Oil and gas expenditures	265,912	562,523
Tax losses	28,071	79,112
Financing costs and other	2,835	5,104
	296,818	646,739

The non-capital losses expire at various times between 2027 and 2032.

18. PER SHARE AMOUNTS

The following table summarizes the weighted average common shares used in calculating income (loss) per share:

	2017	2016
Net (loss) income and comprehensive (loss) income	(133,021)	52,593
Weighted average shares outstanding - basic	49,390	43,632
Weighted average shares outstanding - diluted	49,390	43,632
Net (loss) income per share – basic	(2.69)	1.21
Net (loss) income per share – diluted	(2.69)	1.21

The basic net (loss) income per share is calculated by dividing the net (loss) income attributable to the shareholders of the Company by the weighted average number of common shares outstanding for the period. Excluded from the diluted number of shares for the period ended December 31, 2017 is the effect of 3,385 (December 31, 2016 – 2,413) stock options, performance warrants, share purchase warrants, RSU's and PSU's as to include them would be anti-dilutive.

19. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey designates its financial instruments into one of the following four categories: 1) loans and receivables, 2) assets available for-sale, 3) other financial liabilities, and 4) fair value through profit and loss assets and liabilities. All financial instruments categorized as available for sale or fair value through profit and loss are measured at their fair value, while loans and receivables and other financial liabilities are initially measured at fair value and subsequently at amortized cost.

Journey has elected to designate its financial instruments as follows:

	December 31, 2017		December 31, 2016	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Cash	8,227	8,227	1,584	1,584
Loans and receivables				
Accounts receivable	16,111	16,111	14,055	14,055
Fair value through profit and loss				
Derivative contracts – current asset	2,308	2,308	-	-
Derivative contracts – current liability	(4,449)	(4,449)	(11,304)	(11,304)
Derivative contracts – non-current liability	(16)	(16)	(1,434)	(1,434)
Other financial liabilities				
Accounts payable and accrued liabilities	(28,290)	(28,290)	(21,256)	(21,256)
Promissory Notes	(28,398)	(30,000)	(27,952)	(30,000)
Bank debt - principal	(70,000)	(70,000)	(52,463)	(52,463)

Journey's financial instruments recognized in the Consolidated Statement of Financial Position consist of cash, accounts receivable, accounts payable, bank debt, promissory notes and derivative contracts. The carrying value of the accounts receivable, accounts payable and accrued liabilities approximates their fair value at December 31, 2017 due to their short-term nature. The fair value of bank debt is based upon level 2 inputs. The fair value of the bank debt approximates the carrying value as the debt carries a floating interest rate that approximates a market rate of interest. The carrying value of the promissory notes was initially based on level 3 inputs.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable.

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

(b) Derivative contracts

Journey entered into the following financial derivative transactions to mitigate its exposure to fluctuations in commodity prices.

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term	Fair value
Swap	1,500	WTI NYMEX	CDN\$69.50	January 2, 2018 to December 31, 2018	(2,544)
Swap	1,000	WTI NYMEX	CDN\$71.00	January 2, 2018 to March 29, 2018	(417)
Swap	1,000	WTI NYMEX	CDN\$72.25	April 2, 2018 to September 28, 2018	(382)
Swap	1,000	WTI NYMEX	CDN\$71.00	October 1, 2018 to March 29, 2019	(143)
3 way collar	1,000	WTI NYMEX	CDN\$39.50 /\$60.00/\$65.00	October 1, 2016 to March 31, 2018	(979)
Total oil derivative contracts fair value - liability					(4,465)

Natural Gas contracts	Volume GJ's/d	Pricing point	Strike price per GJ	Term	Fair value
Swap	2,500	AECO 7a	CDN\$3.282	January 1, 2018 to March 31, 2018	305
Collar	5,000	AECO 7a	CDN\$2.40-2.85	November 1, 2016 to March 31, 2018	256
Swap	2,500	AECO 7a	CDN\$2.453	April 1, 2018 to June 30, 2018	278
Swap	2,500	AECO 7a	CDN\$2.447	July 1, 2018 to September 30, 2018	254
Swap	2,500	AECO 7a	CDN\$2.618	October 1, 2018 to December 31, 2018	196
Swap	1,000	AECO 7a	CDN\$3.459	January 1, 2018 to March 31, 2018	138
Swap	1,000	AECO 7a	CDN\$2.549	April 1, 2018 to June 30, 2018	120
Swap	1,000	AECO 7a	CDN\$2.534	July 1, 2018 to September 30, 2018	109
Swap	1,000	AECO 7a	CDN\$2.658	October 1, 2018 to December 31, 2018	82
Swap	5,000	AECO 7a	CDN\$3.12	June 1, 2017 to March 31, 2018	570
Total natural gas derivative contracts fair value - asset					2,308
Total derivative contracts fair value - liability					(2,157)

The net change in these contracts resulted in a realized net gain of \$1,420 and an unrealized net gain of \$10,581 for the period ended December 31, 2017.

A 10% increase or decrease in the respective commodity prices would have impacted the comprehensive loss by the following amounts at December 31, 2017:

Commodity	10% increase	10% decrease
Oil	(5,430)	5,430
Natural gas	(166)	174
Total	(5,596)	5,604

The (gain) loss on derivative contracts for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Realized	(1,420)	(4,492)
Unrealized	(10,581)	16,762
	(12,001)	12,270

(c) Risks

(i) Credit risk

A substantial portion of Journey's accounts receivable is with oil and gas marketing entities. Receivables from these marketers are normally collected on the 25th day of the month following calendar month in which production has occurred. Journey has not experienced any material collection issues with its petroleum and natural gas marketers. Journey generally extends unsecured credit to these companies; therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and may accordingly impact Journey's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which it extends credit.

Journey is exposed to losses in the event of non-performance by counterparties to financial risk management contracts. Journey minimizes credit risk associated with possible non-performance of these financial instruments by entering into contracts with only investment grade counterparties, limiting exposure to any one counterparty and monitoring procedures around extending credit. Journey is managing this risk within its credit limit guidelines and

procedures. While Management believes Journey's credit limit guidelines and procedures are sufficient to address credit risk, they are still subject to the volatility of the general financial credit environment. Journey's maximum credit risk is its entire receivable accounts and derivative contracts.

	2017	2016
Accounts receivable	16,111	14,055
Derivative contracts	2,308	-
	18,419	14,055

Management has determined the provision for uncollectable accounts as at December 31, 2017 to be \$465 (2016 - \$283). Accounts receivable balances with third parties in excess of 90 days are \$1,254 (2016 - \$1,232).

The continuity of the Company's reserve for doubtful accounts for the years ended December 31 is as follows:

	2017	2016
Allowance for doubtful accounts as at January 1	283	461
Amounts recovered (written off)	5	9
Provision adjustment	177	(187)
Allowance for doubtful accounts as at December 31	465	283

(ii) Interest rate risk

Borrowings under bank credit facilities are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. A 1% change in interest rates, using balances at year end would result in a \$451 change to comprehensive loss (2016 - \$383).

(iii) Foreign exchange risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are directly correlated to U.S. dollar benchmark prices and derivative contracts denominated in U.S. dollars.

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. Journey mitigates this risk by management of cash and debt. Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital balance. The Company is near completion of the annual review of credit facility. Prior to maturity of the facility on April 30, 2018 the Company will need to complete its discussions with the syndicate to renew or extend the facility. The available capacity on the Company's credit facility is currently assessed by Management to be sufficient to ensure all obligations will be met as they come due.

The following table details Journey's financial liabilities as at December 31, 2017:

	< 1year	1-2 years	> 2 years	Total
Accounts payable and accrued liabilities	28,290	-	-	28,290
Derivative liabilities	4,449	16	-	4,465
Bank debt	70,000	-	-	70,000
Promissory Notes	-	-	30,000	30,000
Interest on bank debt and bank indebtedness	3,238	-	-	3,238
Interest on promissory note	2,295	2,295	1,918	6,508
	108,272	2,311	31,918	142,501

The following table details Journey's financial liabilities as at December 31, 2016:

	< 1year	1-2 years	> 2 years	Total
Accounts payable and accrued liabilities	21,256	-	-	21,256
Derivative liabilities	11,304	1,434	-	12,738
Bank debt	52,463	-	-	52,463
Promissory Notes	-	-	30,000	30,000
Interest on bank debt and bank indebtedness	3,001	966	-	3,967
Interest on promissory note	1,138	3,452	4,213	8,803
	89,162	5,852	34,213	129,227

20. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

	2017	2016
Accounts receivable	(2,056)	611
Prepaid expenses and deposits	295	314
Deferred financing charges	(80)	(16)
Deferred lease obligation	(62)	(63)
Accounts payable and accrued liabilities	7,034	(10,727)
	5,131	(9,881)

Relating to:

Operating activities	7,127	(9,428)
Financing activities	(80)	(16)
Investing activities	(1,916)	(437)
	5,131	(9,881)

b) Supplementary cash flow information

	2017	2016
Interest paid	4,186	5,026

c) Sales by product type

	2017	2016
Crude oil	77,680	64,156
Natural gas	24,268	18,640
Natural gas liquids	8,137	4,443
Petroleum and natural gas sales	110,085	87,239

d) *Employee compensation costs*

Journey's Statement of Comprehensive Loss is prepared primarily by nature of expense, with the exception of employee compensation costs which are included in property, plant and equipment, share-based compensation and general and administrative expenses.

The following table details the amount of total employee compensation costs included in property, plant and equipment, share-based compensation and general and administrative expenses:

	2017	2016
Capital	1,749	1,050
General and administrative	7,010	6,584
Share based compensation	2,164	3,472
Total employee compensation costs	10,923	11,106

21. RELATED PARTY TRANSACTIONS

Journey had the following related party transactions during the year:

- (a) The Company considers its directors and executives to be key management personnel. Compensation for these individuals is comprised of the following:

	2017	2016
Salaries and severance	1,229	2,393
Short-term employee benefits	560	298
Share based payments (i)	1,348	1,172
	3,137	3,863

- (i) These amounts represent the amortization of share based compensation associated with the Company's share based compensation plans.
- (ii) As at December 31, 2017 there were eleven (2016 – ten) individuals that were considered key management personnel.
- (iii) At December 31, 2017 there is a \$2,614 commitment (2016 - \$2,958) relating to a change of control or termination of employment for key management personnel.
- (b) An officer of the Company purchased 20 Flow Through Shares for gross proceeds of \$44 in the private placement on October 11, 2017 (Note 12(iii)).

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.

22. COMMITMENTS AND CONTINGENCIES

In addition to the commitments listed below, the Company has various indemnifications in place in the ordinary course of business, none of which, as assessed by management, are expected to have a significant impact on the Company's Consolidated Financial Statements.

(a) *Transportation and office lease costs*

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

	Total	2018	2019-2020	2021-2022	Thereafter
Natural gas transportation	1,437	684	647	106	-
Operating leases	11,711	1,943	3,821	3,756	2,191
Total	13,148	2,627	4,468	3,862	2,191

(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.

23. OPERATING EXPENSES

The Company generated processing income of \$2,742 in 2017 (2016 - \$4,926) which reduced the Company's reported gross operating expenses to \$48,751 for the year ended December 31, 2017 (December 31, 2016 - \$37,116).

24. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt and working capital (current assets less current liabilities, but excluding the fair value of derivative contracts and decommissioning liabilities). The Company's key objectives when managing its capital structure are to: 1) to meet its financial obligations as they come due; 2) to finance internally generated growth; and 3) maintain financial flexibility to be able to take advantage of accretive acquisitions that arise. To do this Management strives to optimize its cost of capital while at the same time managing its leverage. To manage its capital structure Journey may: issue equity or term debt, adjust discretionary capital spending, use its credit facility to execute its capital program, or dispose of non-core assets.

Journey continually monitors its capital structure and makes adjustments to it throughout the year as a result of drilling successes or failures, general economic conditions, the state of the petroleum industry and global events, all of which may affect commodity prices. Journey prepares an annual budget, which is approved by the Board of Directors, and is updated quarterly for acquisition and divestiture activity, changes in commodity prices, and drilling successes. The budget is flexible and is re-evaluated at each regularly scheduled board meeting to ensure the Company's finances are being managed in accordance with the Board objectives.

Journey remains committed to reducing bank debt and restoring the net debt to funds flow ratio to the internally desired level of approximately 2.0. While the most recent quarter's funds flow is often used as a benchmark for measuring the net debt to funds flow ratio, Journey factors in anomalies in current funds flow such as unusually low commodity prices and/or non-recurring operating costs. As at December 31, 2017 the net debt to annualized fourth quarter funds flow ratio was 2.6 times (December 31, 2016 – 2.6 times) which is higher than the desired level due to the acquisition that closed on April 28, 2017; very low natural gas prices in the third quarter and higher than normal operating expenses from non-recurring maintenance projects. Subsequent to the end of 2017 (Note 26 (b)) Journey added additional term debt of \$22,000 to finance the repurchase of 12,700 common shares from its largest shareholder. This additional leverage has resulted in the Company altering its planned capital expenditures for 2018 to allow the net debt to funds flow ratio to move closer to the desired level.

Below is the calculation of Journey's net debt to annualized funds flow for each of the three month periods ended December 31, 2017 and 2016.

	2017	2016
Bank debt less cash in bank	61,773	50,879
Principal amount of Promissory Notes	30,000	30,000
Accounts receivable	(16,111)	(14,055)
Prepaid expenses	(1,319)	(1,614)
Accounts payable and accrued liabilities	28,290	21,256
Deferred lease obligations	388	450
Net debt	103,021	86,916
Fourth quarter cash flow		
Cash provided by operating activities	11,309	7,489
Add (deduct):		
Transaction costs	14	157
Changes in non-cash working capital	(1,727)	532
Decommissioning costs incurred	233	176
Funds flow from operations	9,829	8,354
Four times cash flow for the quarter	39,316	33,416
Net debt to annualized cash flow (times)	2.6	2.6

25. PRIOR YEAR COMPARATIVE AMOUNTS

Gains or losses from derivative contracts in 2016, previously reported in expenses, have been reclassified to the net revenue section of the consolidated statement of comprehensive (loss) income to conform to the current disclosures.

26. SUBSEQUENT EVENTS

- a) On February 2, 2018 Journey purchased 12,700 common shares from its largest shareholder at an aggregate cost of \$21,336 or \$1.68 per share. The shares repurchased were subsequently cancelled.
- b) On January 31, 2018 Journey closed a \$22,000 promissory note financing. The promissory notes mature on September 30, 2022. As part of the financing the issuer also received 2,310 warrants with an exercise price of \$2.51 per warrant. The warrants are exercisable into common shares of Journey on a one for one basis and expire on June 1, 2020.
- c) In connection with the share repurchase and the promissory note financing above, and continuing until the currently ongoing borrowing base review is complete, aggregate borrowings under the Company's credit facility may not exceed \$100,000 without the unanimous consent of the lenders.
- d) Subsequent to December 31, 2017 Journey entered into the following financial derivative transactions.

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term
Swap	500	WTI NYMEX	CDN\$76.00	April 1, 2018 to June 30, 2018
Swap	500	WTI NYMEX	CDN\$76.00	July 1, 2018 to September 30, 2018
Swap	1,000	WTI NYMEX	CDN\$71.50	April 1, 2019 to June 30, 2019
Swap	500	WTI NYMEX	CDN\$74.00	October 1, 2018 to March 31, 2019