



MANAGEMENT’S DISCUSSION AND ANALYSIS – THIRD QUARTER, 2020

The following Management’s Discussion and Analysis (“MD&A”) was prepared on November 11, 2020 and is management’s assessment of Journey Energy Inc.’s (“Journey” or the “the Company”) financial and operating results for the three and nine months ended September 30, 2020 and 2019. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2020 and 2019 along with the notes related thereto.

Forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company’s forward-looking statements are expressly qualified in their entirety by this cautionary statement.

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

Forward-Looking Information

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

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

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the COVID-19 pandemic and the impact on the worldwide economy, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty

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

Non-GAAP Measures

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

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

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

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

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Cash flow provided by operating activities	4,750	4,279	11	8,696	16,064	(46)
Add (deduct):						
Changes in non-cash working capital	(360)	1,534	(123)	(1,674)	5,096	(133)
Transaction costs	-	9	-	2	26	(92)
Decommissioning costs incurred	37	614	(94)	411	923	(55)
Funds Flow	4,427	6,436	(31)	7,435	22,109	(66)

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

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

	Sep. 30, 2020	December 31, 2019	% Change	Sep. 30, 2019	% Change
Principal amount of bank debt, less cash in bank	71,994	68,900	4	72,938	(1)
Principal amount of term debt	46,313	44,000	5	44,000	5
Accounts payable and accrued liabilities	17,012	27,715	(39)	17,126	(1)
Deduct:					
Accounts receivable	(8,291)	(15,193)	(45)	(12,661)	(35)
Prepaid expenses and deposits	(2,384)	(1,209)	97	(3,165)	(25)
Net debt	124,644	124,213	-	118,238	5

Abbreviations and BOE Advisory

<i>Bbl(s)</i>	<i>Barrel or barrels</i>
<i>boe</i>	<i>barrels of oil equivalent</i>
<i>boe/d</i>	<i>barrels of oil equivalent per day</i>
<i>gj</i>	<i>gigajoules</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>Mbbls</i>	<i>thousand barrels</i>
<i>MMBtu</i>	<i>million British thermal units</i>
<i>NGL’s</i>	<i>natural gas liquids</i>
<i>Mboe</i>	<i>thousand boe</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mmcf</i>	<i>million cubic feet</i>

<i>Mmcfd</i>	<i>million cubic feet per day</i>
<i>MSW</i>	<i>Mixed sweet Alberta oil price</i>
<i>WCS</i>	<i>Western Canada Select oil price</i>
<i>WTI</i>	<i>West Texas Intermediate Oil price</i>

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

Amounts

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

HIGHLIGHTS FROM THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Financial

Journey recorded Funds Flow of \$4,427 in the third quarter of 2020, which was 31% lower than the \$6,436 realized in the same quarter of 2019. While oil prices recovered somewhat in the third quarter from the onset of the COVID-19 pandemic which started at the end of the first quarter, they have not returned to pre-pandemic levels. The average realized oil prices for Journey were \$42.36/bbl as compared to \$24.32/bbl in the second quarter. Cash flow from operating activities was \$4,749 in the third quarter of 2020 as compared to \$4,279 in 2019. The low oil prices were partially mitigated by the oil hedges the Company had in place. Journey realized hedging gains of \$813 during the quarter and \$7,495 for the year to date. The Company experienced a net loss of \$8,037 during the quarter of \$0.19 per share (basic and diluted). The Company exited the third quarter with net debt of \$124,644.

Capital spending

With the uncertain duration and impact of the pandemic, the Company conserved its resources and spent only \$1,934 during the third quarter. These costs were mainly attributable to finishing the work on the Company’s power generation project in Countess, which was commissioned on September 29. During the third quarter, Journey did not drill any wells.

Production

Production decreased by 12% in the third quarter of 2020 to average 8,311 boe/d versus 9,445 boe/d in the third quarter of 2019. Quarter over quarter production increased 6% in the third quarter as compared to the second quarter of 2020 (7,808 boe/d). The increase in production was mainly the result of bringing back on-stream the production Journey shut-in due to weak economics during the second quarter.

Liquidity

The COVID-19 pandemic caused turmoil with the liquidity of oil and natural gas producers. Since Journey was in default of its scheduled bank line repayments, on April 24, 2020 Journey and its banking syndicate entered into a forbearance agreement. While the agreement was in place, the banks will not action their security. The agreement caps the total syndicated bank line at \$77 million, and has been extended eight times. The latest extension expired on October 30, 2020.

Outlook

On October 30, 2020 entered into a three-way agreement to settle its syndicated bank borrowings. Journey's significant shareholder and term debt provider, Alberta Management Investment Corporation ("AIMCo"), extended Journey \$38 million in new term debt in three tranches to buy out the \$75 million owing to the banks. Shortly thereafter, on November 2, 2020, a definitive agreement was entered into for the sale of Journey's power generation asset along with associated producing assets in the Countess, Alberta area. In addition, Journey sold a minor, non-core asset in the Telfordville, Alberta area in a separate transaction. The total proceeds to be realized from the asset sales is approximately \$15 million (before closing adjustments) and will be used to retire the new short-term debt of \$15 million extended to Journey by AIMCo on October 30. Production from all assets being sold is approximately 8,900 mcf/d and 90 bbl/d of liquids (oil and natural gas liquids). In addition to the power project the sold assets include 455 gross (439 net) wells, and have associated asset retirement obligations of approximately \$30 million (uninflated and undiscounted).

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Total daily sales volumes decreased 12% to 8,311 boe/d for the third quarter of 2020 from 9,445 boe/d in 2019. The decrease was attributable to the combination of shut-in volumes from the second quarter not fully being brought on-stream until August, and to a lesser extent natural declines. For the nine-month periods, daily sales volumes decreased 9% to 8,481 boe/d for 2020 from 9,341 boe/d in 2019.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Natural gas (Mcf/d)	26,927	28,621	(6)	27,641	29,038	(5)
Crude oil (Bbl/d)	3,188	4,091	(22)	3,208	3,932	(18)
Natural gas liquids (Bbl/d)	635	584	9	666	570	17
Barrels of oil equivalent	8,311	9,445	(12)	8,481	9,341	(9)

Volumetric Product Mix

During the second quarter of 2020 the Company shut-in as much uneconomic oil production as possible in response to the exceptionally low oil prices experienced during the quarter. Most of these volumes were brought back on-production in July and the remainder in August. As a result of the reduced oil production, natural gas volumes increased 6% for the quarter and oil volumes decreased by 12%. For the year-to-date the increase in natural gas volumes was 4% and the decrease in oil volumes was 10%.

% of Aggregate Production	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Natural gas	54	51	6	54	52	4
Crude oil	38	43	(12)	38	42	(10)
Natural gas liquids	8	6	33	8	6	33
Total	100	100		100	100	

Average Benchmark Price Indices

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Crude Oil						
WTI (US\$/Bbl)	40.93	56.47	(28)	38.32	57.04	(33)
Canadian light (CDN\$/Bbl)	49.05	69.26	(29)	44.13	69.58	(37)
WCS (CDN\$/Bbl)	42.41	58.38	(27)	32.98	60.26	(45)
Natural Gas						
NYMEX (US \$/Mmbtu)	2.00	2.33	(14)	1.87	2.57	(27)
AECO - Daily (CDN\$/Mcf)	2.27	1.00	127	2.10	1.57	34
Foreign Exchange						
Canadian to US	1.3316	1.3206	1	1.3539	1.3291	2
US to Canadian	0.7510	0.7572	(1)	0.7391	0.7524	(2)

WTI oil prices decreased 28% in the third quarter of 2020 to average US \$40.93/bbl as compared to US \$56.47 bbl in the third quarter of 2019. The Canadian dollar declined 1% against the US dollar during the third quarter of 2020, which had a small positive effect on realized Canadian oil prices. Changes to the Canadian dollar vis a vis the US dollar are based on many factors including the strength of the Canadian economy, Canadian and US interest rates, the political environment and exports. The average Canadian light oil price decreased from an average of CAD \$69.26/bbl in the third quarter of 2019 to CAD \$49.05/bbl in the third quarter of 2020. A similar result was realized in WCS prices wherein during the third quarter of 2020 WCS was CAD \$58.38, and this declined to CAD \$42.41 for the third quarter of 2020.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Natural gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 127% higher at \$2.27/mcf in the third quarter of 2020 as compared to \$1.00/mcf during the same period in 2019. While AECO prices were appreciably higher in 2020 as compared to 2019 they are still at a very low level due to higher storage levels and resilient production in the United States.

Realized Prices

Commodity prices realized by Journey were as follows:

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

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Natural gas (\$/Mcf)	2.08	0.84	148	1.73	1.49	16
Crude oil (\$/Bbl)	42.36	60.89	(30)	36.54	61.84	(41)
Natural gas liquids (\$/Bbl)	20.22	19.24	5	16.49	25.07	(34)
Average (\$/boe)	24.53	30.10	(19)	20.77	32.18	(35)

Average commodity prices were 19% lower at \$24.53/boe in the third quarter of 2020 as compared to \$30.10/boe in 2019. While natural gas prices were 148% higher in the third quarter of 2020 at \$2.08/mcf as compared to \$0.84/mcf in 2019, it was the severe decline in realized oil prices that caused corporate average prices to drop so significantly. Oil prices were 30% lower while NGL prices were 5% higher than in 2019. For the nine months ended September 30, 2020 Journey's average realized commodity prices were 35% lower for the nine months of 2020 at

\$20.77/boe as compared to \$32.18/boe in 2019. Realized oil prices fluctuated widely from a high of \$55 in January to a low of approximately \$7 in April, but were relatively stable in the third quarter averaging \$42.36/bbl.

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

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

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Natural gas (\$/Mcf)	2.03	0.84	142	1.71	1.49	15
Crude oil (\$/Bbl)	45.57	60.56	(25)	45.26	61.43	(26)
Natural gas liquids (\$/Bbl)	20.22	19.24	5	16.49	25.07	(34)
Average (\$/boe)	25.60	29.96	(15)	23.99	32.00	(25)

RISK MANAGEMENT ACTIVITIES

At September 30, 2020, the Company had the following derivative contracts in place:

Crude Oil Contracts

Contract Type	Volume bbl/d	Reference Price	Contract price \$/bbl	Term	Asset (Liability)
Call	500	WTI NYMEX	CDN\$87.00	April 1, 2020 to December 31, 2020	-
Collar	500	WTI NYMEX	CDN\$66.00-81.00	January 1, 2020 to December 31, 2020	557
Diff swap	500	NGX index	USD\$6.50	January 1, 2020 to December 31, 2020	(94)
Net fair value asset – oil contracts					463

Natural Gas Contract

Contract Type	Volume gj/d	Reference Price	Contract price \$/gj	Term	Asset (Liability)
Collar	5,000	AECO	1.40 – 1.75	April to October 2020	(67)
Net derivative contract asset					396

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

\$ 000's	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Realized	813	(124)	(756)	7,495	(447)	(1,777)
Unrealized	(1,364)	26	(5,346)	852	(934)	(191)
Total	(551)	(98)	462	8,347	(1,381)	(704)

\$/boe	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Realized	1.06	(0.14)	(857)	3.23	(0.17)	(1,894)
Unrealized	(1.78)	0.03	(6,033)	0.37	(0.37)	(200)
Total	(0.72)	(0.11)	555	3.60	(0.54)	(765)

The change in the value of these contracts for the quarter ended September 30, 2020 resulted in a realized gain of \$813 and an unrealized loss of \$1,364. The realized gain in the third quarter was primarily attributable to WTI oil prices decreasing significantly below Journey's floor hedged amounts for oil contracts. At September 30, 2020, the estimated fair value of all commodity hedging contracts was a net asset of \$396.

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

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

During the third quarter of 2020, aggregate P&NG sales decreased 28% to \$18,759 as compared to \$26,158 for the same period in 2019. The decrease in sales revenue was caused by the combination of a decrease in average production volumes by 12%, coupled with a decrease in average realized commodity prices of 19%.

For the nine months ended September 30, aggregate P&NG sales decreased 41% to \$48,261 in 2020 from \$82,056 in 2019. For the nine months ended September 30, 2020, the decrease in P&NG sales was primarily the result of a 9% decrease in average sales volumes and a 35% decrease in average realized commodity prices. The average price decline was made up of an increase in natural gas prices of 16%, a decrease of 41% for oil, and a decrease of 34% for NGL's compared to the same nine month period in 2019.

\$	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Natural gas	5,153	2,207	133	13,137	11,776	12
Crude oil	12,425	22,917	(46)	32,113	66,379	(52)
Natural gas liquids	1,181	1,034	14	3,011	3,901	(23)
P&NG sales	18,759	26,158	(28)	48,261	82,056	(41)

Sales - % Contribution	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Natural gas	28	8	227	27	14	89
Crude oil	66	88	(24)	67	81	(18)
Natural gas liquids	6	4	58	6	5	29
Total	100	100		100	100	

ROYALTIES

For the third quarter of 2020, total royalties were \$1,545 as compared to \$3,527 for the same period in 2019. On a per boe basis, the royalty rate decreased to \$2.02 in 2020 as compared to \$4.06 in 2019. As a percentage of revenue, the rate for the third quarter of 2020 decreased 39% to 8.2% from 13.5%, which was realized in 2019. The decrease in the aggregate royalties, as well as the decrease in the royalty rate, as a percentage of revenues was attributable

to the significant decrease in realized commodity prices for oil and NGL's as well as an annual adjustment to gas cost allowance.

For the nine months ended September 30, royalties were \$4,913 in 2020 as compared to \$10,009 for the same period in 2019. On a per boe basis, the royalty rate decreased 46% to \$2.11 in 2020 as compared to \$3.93 from 2019. As a percentage of revenue, the rate for the nine months of 2020 was 10.2% or 17% lower than the 12.2% realized in 2019.

The decline in oil prices was the main reason for the significant decline in royalty rates. Benchmark Canadian oil prices declined 29% in the third quarter as compared to last year. This, coupled with the natural declines in well productivity caused the royalty rates per boe to decline by 50%. Journey is anticipating a corporate royalty rate of approximately 11.0% for the balance of 2020 based on Management's internal forecast of commodity prices and the anticipated productivity of its wells. However, this could change significantly, as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

\$	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Crown	374	1,975	(81)	1,886	5,474	(66)
Freehold/gross over-riding	1,170	1,552	(25)	3,027	4,535	(33)
Total royalties	1,544	3,527	(56)	4,913	10,009	(51)
Royalties (as a % of P&NG sales)	8.2	13.5	(39)	10.2	12.2	(17)

\$ / boe	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Crown	0.49	2.27	(78)	0.81	2.15	(62)
Freehold/gross over-riding	1.53	1.79	(15)	1.30	1.78	(27)
Total royalties	2.02	4.06	(50)	2.11	3.93	(46)

NET OPERATING EXPENSES

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Operating expense per the financial statements	9,937	12,828	(23)	31,211	38,176	(18)
Less: expense recoveries	(444)	(880)	(50)	(1,901)	(2,239)	(15)
Net operating expenses	9,493	11,948	(21)	29,310	35,937	(18)
Net expense (\$ per BOE)	12.42	13.75	(10)	12.61	14.09	(11)
Net expense (% of P&NG sales)	50.6	45.7	11	60.7	43.8	39

Net operating expenses were \$9,493 or \$12.42 per boe for the third quarter of 2020 as compared to \$11,948, or \$13.75 per boe in 2019. For the nine months ended September 30, net operating costs were \$29,310 or \$12.61 per boe in 2020 as compared to \$35,937 or \$14.09 per boe in 2019. In addition to the variable cost savings from the shut-in production in the second quarter and partially in the third quarter, Journey kept pursuing cost savings in the field during the third quarter. Both initiatives contributed to the 21% decline in aggregate costs for the third quarter of 2020. For the remainder of 2020, Journey expects the net operating expense per boe rate to average in the low-\$12 range, which will bring the annual guidance to be in the mid-\$12/boe range.

TRANSPORTATION

Transportation expenses were \$288 for the third quarter of 2020, and represented 1.5% of P&NG sales for the period as compared to \$418 and 1.6% for the same quarter of 2019. The cost per boe averaged \$0.38 in the third quarter, which was 21% lower than the same period in 2019. For the nine months ended September 30, transportation expenses were \$1,026 for 2020 or 15% lower than \$1,200 for the comparable period in 2019. On a per boe basis, costs were \$0.44 for the nine months of 2020 and \$0.47/boe for 2019. Journey is currently expecting the per boe rates for the rest of 2020 to be in the \$0.40 range. 12% lower production volumes experienced in the third quarter were the main reason for the decrease in the aggregate expense. However, the competitive bidding for clean oil trucking have also driven the per boe rates lower during 2020. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Transportation expense	288	418	(31)	1,026	1,200	(15)
Expense (\$ per boe)	0.38	0.48	(21)	0.44	0.47	(6)
Expense (% of P&NG sales)	1.5	1.6	(6)	2.1	1.5	40

GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSE

For the third quarter of 2020, G&A expense after recoveries was lower by 17% at \$1,179 as compared to \$1,418 in 2019. The decrease in G&A costs during the third quarter was mainly attributable to the impact of the cost cutting measures employed both in the last half of 2019 and during 2020 as the pandemic smothered the economy. Journey embarked on an initiative late in 2019 to re-bid out certain services and to eliminate other redundant services. In addition, and in light of the shut-in volumes, Journey reduced compensation levels by approximately 10%; temporarily furloughed approximately one-quarter of its workforce; and applied for benefits under the Canadian Emergency Wage Subsidy (CEWS) program. The cost savings in 2020 were partially offset by the significant forbearance costs (legal and restructuring advisor) required by the banks. Despite these extra costs, Journey realized G&A of \$1.54/boe for the third quarter of 2020, or 6% lower than the \$1.63/boe realized in 2019.

For the nine months ended September 30, 2020 G&A expense after recoveries was 3% lower at \$5,129 as compared to \$5,312 in 2019. G&A after recoveries per boe was \$2.21 in 2020 or 6% higher than \$2.08 in 2019. The 9% lower production levels and the \$1,917 bad debt realized in the first quarter from a dispute with Journey’s natural gas marketer caused the per boe amounts to be higher than expected.

For the balance of 2020, Journey expects its G&A cost per boe to be in the \$1.75 per boe range based on currently forecast G&A and production levels.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Expense per financial statements	1,179	1,418	(17)	5,129	5,312	(3)
Add:						
Overhead recoveries	648	747	(13)	2,024	2,086	(3)
Capitalized G&A	-	132	(100)	-	387	(100)
Gross expense	1,827	2,297	(21)	7,153	7,785	(8)
<u>Expense (\$ per boe)</u>						
Expense per financial statements	1.54	1.63	(6)	2.21	2.08	6
Gross expense	2.39	2.64	(9)	3.08	3.05	1

FINANCE EXPENSE

Finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion on the term debt, accretion on right-of-use assets and bank charges. Finance expenses decreased 5% from the third quarter of 2019 compared to the third quarter of 2020 mainly due to lower accretion costs on the asset retirement obligation liability. Accretion was lower due to the reduction in the rate used to discount the liability in 2020 as compared to 2019. Borrowing costs for the third quarter of 2020 increased 16% to \$2,641 in 2020 from \$2,269 in 2019. For the third quarter of 2020, the average interest-bearing debt outstanding was \$120,224, which was a 3% decrease from \$124,332 for the comparable period in 2019. The average effective interest rate on outstanding borrowings increased 21% to 8.7% in 2020 from 7.2% in 2019. On a per BOE basis, the non-accretion related finance expense was \$3.45 for 2020 as compared to \$2.62 for 2019, representing a 32% increase, period over period. The increase in interest expense in the third quarter of 2020 was mainly due to an increase in bank lending rates starting in December of 2019, but also includes the higher interest rate on the term debt from the restructuring in September of 2019; a one-time 1% increase in term debt interest rates for the first six months of 2020; and the forbearance fees charged by the banks. The per boe rate increased for the three month period mainly due to the higher interest rates, but also the 12% lower production volumes.

For the nine months year to date, total finance expense was 7% lower than in 2019. While interest rates are higher in 2020, the average, interest-bearing debt and the accretion charges were lower by 7% and 46% respectively. On a per boe basis the borrowing costs were 24% higher at \$3.41/boe as compared to \$2.75/boe in 2019. Total finance expense was \$4.25/boe, which was 2% higher than the \$4.17 realized in 2019.

	Three months ended			Nine months ended		
	2020	2019	Change %	2020	2019	Change %
Expense per financial statements	3,322	3,483	(5)	9,887	10,644	(7)
<u>Add/(Deduct):</u>						
Accretion expense	(681)	(1,196)	(43)	(1,944)	(3,602)	(46)
Miscellaneous bank charges/credits	-	(18)	(100)	5	(19)	(126)
Finance expense related to borrowings	2,641	2,269	16	7,948	7,023	13
Average interest bearing debt	120,224	124,332	(3)	118,081	126,496	(7)
Average interest rate (%)	8.7	7.2	21	9.0	7.4	22
<u>Expense (\$ per boe)</u>						
Non-accretion finance expense (\$ per boe)	3.45	2.62	32	3.41	2.75	24
Accretion (\$/boe)	0.89	1.39	(36)	0.84	1.42	(41)
Expense per financial statements (\$ per boe)	4.34	4.01	8	4.25	4.17	2

SHARE BASED COMPENSATION

Share based compensation expense was \$570 for the third quarter of 2020 as compared to \$744 in 2019. The lower stock based compensation in the third quarter of 2020 was attributable to a lower quantity of long-term incentives granted to employees in the fourth quarter of 2019 and at a lower share price. For the nine months, ended September 30, 2020 the Company realized \$1,713 in share based compensation expense as compared to \$2,345 in 2019. During 2020 the Company did not capitalize any share based compensation expense as the capital activity by internal staff was minimal or in the case of the power generation project, was outsourced. Any capitalization is attributable to technical staff, who are directly related to exploration and development activities. The fair value of all share-based compensation was estimated based on the date of issuance using a modified Black Scholes pricing model and is amortized over the vesting period.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Expense per financial statements	570	744	(23)	1,713	2,345	(27)
Expense (\$ per boe)	0.75	0.86	(13)	0.74	0.92	(20)

DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D increased from \$9,556 in the third quarter of 2019 to \$9,549 in 2020. On a per boe basis, D&D was \$12.49 for 2020 as compared to \$11.00 in 2019, representing a 14% increase. The increase in the per boe rate was primarily attributable to the increase in capitalized asset retirement obligations during the third quarter.

For the nine months ending September 30, aggregate D&D increased by 19% from \$26,838 in 2019 to \$31,886 in 2020. On a per boe basis D&D was \$13.72 in 2020, a 30% increase from \$10.52 in 2019.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Depletion and depreciation (\$)	9,549	9,556	-	31,886	26,838	19
Expense (\$ per boe)	12.49	11.00	14	13.72	10.52	30

IMPAIRMENTS

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

The table below summarizes the benchmark prices for the next thirteen years used by the independent reserve evaluators in preparing the Company's March 31, 2020 internal reserve evaluation.

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

The annual escalation rate used after 2032 is 2.0%.

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

The impairment in these seven CGUs was primarily attributable to the decline in oil prices as used in the internal reserve evaluation. At September 30, 2020, Journey concluded there were no further indicators of impairment.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
PP&E impairment	-	-	-	60,923	-	-
Expense (\$ per boe)	-	-	-	26.22	-	-

LOSS ON DEBT RESTRUCTURING

On September 30, 2019 the outstanding promissory notes were restructured into a second lien term debt financing comprised of two tranches. Before the restructuring, there were two sets of promissory notes issued, one in October of 2016 and the other in January of 2018. The 2016 notes had a principal amount of \$30 million and a maturity of October 31, 2020. These notes were restructured into a second lien tranche with a principal amount of \$22 million with \$8 million being repaid by Journey at closing. The maturity of this tranche was extended from the previous maturity date of October 31, 2020 to October 31, 2023 and the interest rate changed to 11.5% per annum from 7.65% per annum. New share purchase warrants of 1,331,617 were issued at an exercise price of \$3.15 per warrant in consideration of the change in terms. The second issuance of promissory notes (January 2018) had a principal amount of \$22 million and an interest rate of 7.65% per annum with a maturity of September 30, 2023. No changes

were made to the financial terms of this tranche. The warrants issued concurrently with the 2018 promissory notes were voluntarily surrendered by the holder for cancellation.

As a result of the above restructuring, a loss on the change in fair value of the warrants and the promissory notes in the amount of \$636.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Loss on disposition	-	636	(100)	-	636	-
\$ per boe	-	0.73	(100)	-	0.25	-

EXPLORATION AND EVALUATION (E&E) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed during the accounting period. During the three months ended September 30, 2020 Journey incurred an expense of \$300, which was 36% lower than the \$466 expensed in 2019. For the nine months ended September 30, 2020, the expense was \$786 as compared to \$918 in 2019. No impairments of E&E assets were realized in 2020 to date.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
E&E expense	300	466	(36)	786	918	(14)
\$ per boe	0.39	0.54	(28)	0.34	0.36	(6)

TAXES

For the three and nine month periods ended September 30, 2020, no deferred tax expense or asset was recorded. This was because it is currently a continuing conclusion of management that is not probable that the deferred tax asset would be realized. Given the weak commodity price environment and the excess tax pools the Company has generated over the years, it is not likely a significant portion of the tax pools would be utilized.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Deferred tax expense	-	910	(100)	-	10,511	(100)
Deferred tax expense (\$ per boe)	-	1.05	(100)	-	4.12	(100)

The income tax pool balances, by category, at September 30, 2020 (before any de-recognition), were as follows:

Tax Pool	Deductible rate	Amount
Canadian oil & gas property expenses	10% declining balance	109,621
Canadian development expenses	30% declining balance	98,777
Canadian exploration expenses	100%	47,539
Undepreciated capital costs	7-100% declining balance	74,217
Financing costs	5 year straight line	484
Non-capital losses	100%	388,580
Total		719,218

NETBACKS

The operating netback of \$9.71 per boe for the third quarter of 2020 decreased by 18% from \$11.81 for the same period in 2019. For the nine months ended September 30, the operating netback was \$5.61 per boe for 2020, which was a 59% decrease from \$13.70 for 2019. The decrease in the operating netback for the third quarter was mainly due to the 12% decrease in sales volumes and the 19% decline in average commodity prices. These decreases were mitigated by decreases in royalties of 50%; operating expenses of 10% and transportation expenses of 21%. For the year to date, the operating netback decreased by 59% with most of this decline coming from a 9% decline in sales volumes and a 35% decrease in average commodity prices. Royalty, operating expenses and transportation expenses decreased by 46%, 11% and 6% respectively.

The funds flow netback per boe for the third quarter of 2020 was \$5.78 per boe, which was 22% lower than the \$7.41 in the same quarter of 2019. The most significant contributor to the lower netback was the aforementioned decrease in operating netback. However, this was mitigated by the \$1.06/boe in realized hedging gains. Costs savings were realized in G&A as the per boe rate dropped by 6% to \$1.54 as compared to \$1.63 in 2019. Higher interest rates on both bank borrowings and the term debt caused the cash finance expense to increase to \$3.45/boe from \$2.63 in the third quarter of 2019. For the nine month periods, the funds flow netback decreased 63% from \$8.67 per boe in 2019 to \$3.21 in 2020. The leading cause of this was reduced sales volumes due to shut-in production as well as the severe decline in oil prices which lead the 35% decrease in overall average commodity prices.

After taking into account the non-cash items, there was a net loss of \$10.52 per boe for the third quarter of 2020 as compared to \$8.13 in 2019. A significant portion of the loss came from the \$12.49 in depletion charges. For the nine months year to date in 2020 Journey realized a net loss of \$38.28 per boe compared to a net loss of \$9.28 in 2019. The largest contributor to the loss in 2020 was the \$26.22 of impairments taken in the first quarter.

(\$ per boe)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Realized price	24.53	30.10	(19)	20.77	32.18	(35)
Royalties	(2.02)	(4.06)	(50)	(2.11)	(3.93)	(46)
Operating	(12.42)	(13.75)	(10)	(12.61)	(14.09)	(11)
Transportation	(0.38)	(0.48)	(21)	(0.44)	(0.47)	(6)
Operating	9.71	11.81	(18)	5.61	13.69	(59)
G&A	(1.54)	(1.63)	(6)	(2.21)	(2.08)	6
Finance – cash portion	(3.45)	(2.63)	31	(3.42)	(2.76)	24
Realized hedging gain (loss)	1.06	(0.14)	(857)	3.23	(0.18)	(1,894)
Funds flow	5.78	7.41	(22)	3.21	8.67	(63)
Unrealized gain (loss) on hedges	(1.78)	0.03	(6,033)	0.37	(0.37)	(200)
Share based compensation	(0.75)	(0.86)	(13)	(0.74)	(0.92)	(20)
Depletion and depreciation	(12.49)	(11.00)	14	(13.72)	(10.52)	30
Impairments – oil & gas assets	-	-	-	(26.22)	-	-
Accretion	(0.89)	(1.38)	(36)	(0.84)	(1.41)	(40)
Gain (loss)	-	(0.73)	(100)	-	(0.25)	(100)
Exploration & evaluation	(0.39)	(0.54)	(28)	(0.34)	(0.36)	(6)
Transaction costs	-	(0.01)	(100)	-	(0.01)	(100)
Deferred tax expense	-	(1.05)	(100)	-	(4.12)	(100)
Net loss	(10.52)	(8.13)	29	(38.28)	(9.29)	312

NET LOSS, FUNDS FLOW AND CASH FLOW FROM OPERATING ACTIVITIES

There was a net loss for the three months ended September 30, 2020 of \$8,037 as compared to the loss of \$7,055 in 2019. During the third quarter of 2020, Journey realized a net loss per share of \$0.19 (basic share and diluted).

The net loss per share for the nine months was \$88,967 or \$2.06 per basic and diluted share as compared to a loss of \$23,701 or \$0.60 per basic and diluted share in 2019.

Funds Flow during the third quarter of 2020 were \$4,427, a decrease of 31% from \$6,436 realized in 2019. For the nine months ended September 30, Funds Flow decreased 66% from \$22,109 in 2019 to \$7,435 in 2020. The decrease was significantly attributable to the large decline in oil prices, but was also negatively impacted by the 1,500 boe/d of shut-in production volumes during the second quarter.

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure, which represents how much cash, was generated by Journey's business operations. Cash Flow for the third quarter of 2020 was \$4,750 versus \$4,279 during the same quarter of 2019. For the nine months year to date Cash Flow was \$8,696 in 2020 as compared to \$16,064 in 2019.

Per share data	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Net loss	(8,037)	(7,055)	14	(88,967)	(23,701)	275
Basic (\$/share)	(0.19)	(0.18)	6	(2.06)	(0.60)	243
Diluted (\$/share)	(0.19)	(0.18)	6	(2.06)	(0.60)	243
Funds flow	4,427	6,436	(31)	7,435	22,109	(66)
Basic (\$/share)	0.10	0.15	(33)	0.17	0.53	(68)
Diluted (\$/share)	0.10	0.14	(29)	0.17	0.50	(66)
Cash flow provided by operating activities	4,750	4,279	11	8,696	16,064	(46)
Basic (\$/share)	0.11	0.11	-	0.20	0.41	(51)
Diluted (\$/share)	0.11	0.11	-	0.20	0.41	(51)

CAPITAL EXPENDITURES

Journey spent \$1,933 on capital expenditures (before acquisitions/dispositions) during the third quarter of 2020 representing a 20% decrease from the same quarter in 2019. Total capital spent for the year to date in 2020 was \$6,267. Virtually all of the capital spent in the third quarter was directed to the Countess power project. Given the low commodity prices and the limited capital availability, Journey has not committed to spend anything other than the funds required for the power project. This project was commissioned on September 29.

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change %	2020	2019	Change %
<u>Exploration & development expenditures:</u>						
Land and lease rentals	83	428	(81)	251	742	(66)
Geological and geophysical	-	24	(100)	4	160	(98)
Drilling and completions	-	451	(100)	-	5,382	(100)
Well equipment and facilities	1,850	1,364	36	6,010	4,775	26
Capitalized general and administrative	-	132	(100)	-	387	(100)
Total exploration and development	1,933	2,399	(19)	6,265	11,446	(45)
Other	-	6	(100)	-	12	(100)
Total capital expenditures	1,933	2,405	(20)	6,265	11,458	(45)
PP&E acquisitions	-	38	(100)	-	227	(97)
PP&E dispositions	-	(16)	(100)	(16)	(485)	(97)
Net capital expenditures	1,933	2,427	(20)	6,249	11,200	(44)
<u>Other expenditures:</u>						
Capitalized share based compensation	-	40	(100)	-	118	(100)
Decommissioning liability costs incurred	37	614	(94)	411	923	(55)
Total capital expenditures	1,970	3,081	(36)	6,660	12,241	(46)

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development wells	-	-	-	-	-	-	3	3.0
Success rate (%)	-	-	-	-	-	-	100	100

DECOMMISSIONING LIABILITIES (“DL”)

At September 30, 2020, Journey recorded a DL of \$206,753 (\$166,478 at December 31, 2019) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; the period in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. As at September 30, 2020 the future liability was discounted at a negative interest rate of 0.2%, which reflects the risk-free interest rate in the market at that time. For comparison, the discount rate used at December 31, 2019 was 0.4% and at March 31, 2020 it was zero. As a result of the decrease in interest rates from June 30, 2020 to September 30, 2020 the DL increased by \$12,388 during the third quarter.

Journey recorded accretion charges of \$564 and \$1,584 for the three and nine month periods in 2020 as compared to \$882 and \$2,681 respectively in 2019. Accretion reflects the increase in the DL from the discounted amount to the full amount of the DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the three and nine months ended September 30, 2020 was \$37 and \$411 respectively, while the amounts spent in 2019 for the same periods was \$614 and \$923 respectively.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey’s assets are funded entirely out of Funds Flow from operating activities. Journey’s Liability Management Rating is well within the Alberta Energy Regulator’s requirements, such that no deposits are required or expected to be required as at September 30, 2020 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES (“LO”)

At September 30, 2020, Journey’s discounted lease obligations were \$4,955 (December 31, 2019 - \$5,781). The discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of \$71 and \$228, respectively, for the three and nine months ended September 30, 2020 and \$89 and \$273 respectively, for the three and nine months ended September 30, 2019 have been recognized in the statements of comprehensive net loss to reflect the increase in the LO associated with the passage of time. Expenditures for the LO for the three and nine month periods ended September 30, 2020 were \$403 and \$1,233 respectively. For the three and nine month periods in 2019, the expenditures were \$416 and \$1,209.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

The maturity date of the bank credit facility was set to occur on October 30, 2020 pursuant to the latest forbearance agreement.

On October 30, 2020, Journey secured a \$38 million term-debt facility to fund the settlement of its \$75 million credit facility with its syndicate of first-lien lenders. In addition to the initial \$38 million payment to the banking syndicate, Journey will also be contingently liable to pay the syndicate a maximum of \$5.75 million over a three year period with the level of payment made tied to various levels of mixed, sweet, blended oil prices at the

Edmonton, Alberta hub (“MSW”) as reported by Natural Resources Canada. The payment in 2021 is capped at \$750 thousand, 2022 is capped at \$2.25 million and in 2023 the payment is capped to the aggregate total of \$5.75 million.

The \$38 million secured term debt facility is provided by three tranches, First tranche is \$15 million that bears interest at 11.5% per annum and matures December 31, 2020. The second tranche is \$10 million maturing October 31, 2021 and bears interest at 9.0% per annum. The third tranche is for principle amount of \$13 million and matures October 31, 2024 and bears interest of 9.0% in year one, 9.85% in year two and 12.95% for years three and four. In connection with the term debt advances Journey will issue 5.0 million share-purchase warrants to AIMCo. The warrants entitle the holder to purchase one common share of Journey at an exercise price of \$0.16 per warrant, which reflects a 25% premium to the 10 day weighted average trading price of Journey common shares leading up to October 30. The warrants have a four year term and expire in October 30, 2024. In addition a commitment fee of \$5.35 million is payable to AIMCo October 30, 2024 and bears interest at rates which are dependent upon Edmonton mixed sweet oil prices. Below \$65/bbl it bears interest at zero percent per annum, if prices are between \$65/bbl and \$80/bbs it bears interest at 5.0% per annum and if MSW prices exceed \$80/bbl it bears interest at 10.0% per annum.

Journey has also entered into definitive agreements for the sale of assets in both its Countess area (including Journey’s newly commissioned 4.2 megawatt power project); and also producing assets in its Telfordville area. Total gross proceeds from these asset sales is approximately \$15 million before closing adjustments. The net proceeds from the sale are scheduled to be used to retire indebtedness associated with new term loans advanced from AIMCo on October 30, 2020.

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

Going concern

These condensed, consolidated, interim financial statements (the “Financial Statements”), including prior year comparative information, have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. While the Company has concluded substantial efforts to improve the overall debt position of the Company (see note 1), there continues to be material uncertainties caused by the Covid-19 Pandemic (see comments below) and the impacts it has had on commodity prices and Journey’s debt and liquidity that cast significant doubt as to the Company’s ability to continue as a going concern.

The Company was required to maintain a Liability Management Rating (“LMR”) greater than 1.9 under the terms of its syndicated credit facilities and the terms of the second-lien term debt instrument. The Company was not in compliance with this requirement at September 30th, 2020. However, as part of the restructuring of the debt of the Company, the term-debt provider has become the sole debt-provider to the Company and as part of the new debt agreements, has set a new LMR threshold of 1.75. The Company currently complies with the amended LMR threshold. The Company has applied for funding under a recent program announced by the Federal Government to reclaim and abandon certain properties. This program, if the Company can access funds, could improve the Liability Management Rating.

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

Covid-19 Pandemic

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

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

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

Historically, corporate working capital liquidity was maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. For the three months ended September 30, 2020, the Company funded its \$3,662 in capital additions and asset retirement expenditures, primarily from bank debt.

As at September 30, 2020, bank debt outstanding was \$73,000, of the total available credit facility of \$77,000. The credit facility is comprised of a working capital facility of \$15,000 as well as a production facility of \$62,000. Pursuant to the fall 2019 borrowing base review and the reduction in commodity prices used by Journey's syndicate in that review, Journey's credit facility of \$80 million was expected to be reduced by \$1 million per month starting on December 31, 2019 until it reached \$75 million at April 30. The turmoil in the oil and gas industry resulting from COVID -19 and the Saudi-Russia oil price war caused disarray for the worldwide economy and especially Canadian oil and gas producers. This turmoil resulted in a liquidity squeeze for Journey going into the annual borrowing base review in April. Pursuant to a series of short-term amendments to the credit facility, the maximum bank line of credit was held constant at \$77 million while the Company is in forbearance and working toward a solution to deal with the bank debt.

Net Debt of the Corporation at September 30, 2020 was \$124,644. This amount was comprised of negative working capital of \$78,331 (current assets minus current liabilities minus but excluding the components related to derivative contracts, asset retirements obligations and lease obligation liabilities) plus the principal amount of the second lien term debt of \$46,313. Working capital deficiencies are dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues and any proceeds from the disposition of assets. Working capital deficiencies are normal in the industry and vary widely from company to company based on their specific cash flows and spending patterns.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three and nine-month periods ended September 30, 2020.

CONTRACTUAL OBLIGATIONS

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

(a) Natural gas transportation

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

	Total	2020	2021	2022	2023	After
Natural gas transportation	833	133	299	195	195	115

(b) Indemnifications

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

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SUSEQUENT EVENTS

On October 30, 2020, Journey secured a \$38 million term-debt facility to fund the settlement of its \$75 million credit facility with its syndicate of first-lien lenders. In addition to the initial \$38 million payment to the banking syndicate, Journey will also be contingently liable to pay the syndicate a maximum of \$5.75 million over a three year period with the level of payment made tied to various levels of mixed, sweet, blended oil prices at the Edmonton, Alberta hub ("MSW") as reported by Natural Resources Canada. The payment in 2021 is capped at \$750 thousand, 2022 is capped at \$2.25 million and in 2023 the payment is capped to the aggregate total of \$5.75 million.

The \$38 million secured term debt facility is provided by three tranches, First tranche is \$15 million that bears interest at 11.5% per annum and matures December 31, 2020. The second tranche is \$10 million maturing October 31, 2021 and bears interest at 9.0% per annum. The third tranche is for principle amount of \$13 million and matures October 31, 2024 and bears interest of 9.0% in year one, 9.85% in year two and 12.95% for years three and four. In connection with the term debt advances Journey will issue 5.0 million share-purchase warrants AIMCo. The warrants entitle the holder to purchase one common share of Journey at an exercise price reflecting a 25% premium to the 10 day weighted average trading price of Journey common shares leading up to October 30. The warrants have a four year term and expire in October 30, 2024. In addition a commitment fee of \$5.35 million is payable to AIMCo October 30, 2024 and bears interest dependent MSW pricing. Below \$65/bbl it bears interest at

zero percent per annum, if prices are between \$65/bbl and \$80/bbs it bears interest at 5.0% per annum and if MSW prices exceed \$80/bbl it bears interest at 10.0% per annum.

Journey has also into definitive agreements for the sale of assets in both its Countess area (including Journey's newly commissioned 4.2 megawatt power project); and also producing assets in its Telfordville area. Total gross proceeds from these asset sales is approximately \$15 million before closing adjustments. The net proceeds from the sale are scheduled to be used to retire indebtedness associated with new term loans advanced from the AIMCo on October 30, 2020.

On October 30, 2020 Journey monetized all remaining financial instruments and realized net proceeds of \$570.

SHARE CAPITAL

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

<i>Outstanding</i>	November 11, 2020	September 30, 2020	December 31, 2019
Common shares	43,087	43,087	43,087
Options, warrants, share compensation awards	5,030	5,030	5,087
Fully diluted shares	48,117	48,117	48,174

<i>Weighted average</i>	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	%	2020	2019	%
Basic	43,087	39,276	10	43,087	39,250	10
Diluted	43,087	39,276	10	43,087	39,250	10

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Sep. 30, 2020	Sep. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
Production (boe/d)	8,311	7,808	9,325	9,463
Average prices realized, pre-hedging (\$/boe)	24.53	15.71	21.61	31.17
Petroleum and natural gas sales	18,759	11,166	18,336	27,134
Net loss	(8,037)	(15,489)	(65,441)	(7,654)
Basic – per share (\$/share)	(0.19)	(0.36)	(1.52)	(0.18)
Diluted – per share (\$/share)	(0.19)	(0.36)	(1.52)	(0.18)
Funds Flow	4,427	3,213	(205)	5,905
Basic – per share (\$/share)	0.10	0.07	(0.01)	0.14
Diluted – per share (\$/share)	0.10	0.07	(0.01)	0.13
Cash flow provided by operating activities	4,750	2,627	1,319	11,684
Total assets	292,647	289,482	276,794	344,989
Net capital expenditures	1,933	1,040	3,276	9,331
Long term financial liabilities	208,146	242,152	211,712	212,024
Net debt	124,644	126,634	128,435	124,213

	Sep. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Production (boe/d)	9,445	9,248	9,330	9,921
Average prices realized, pre-hedging (\$/boe)	30.10	32.56	33.94	22.34
Petroleum and natural gas sales	26,158	27,400	28,498	20,390
Net earnings (loss)	(7,055)	(12,559)	(4,087)	(16,180)
Basic – per share (\$/share)	(0.18)	(0.32)	(0.10)	(0.41)
Diluted – per share (\$/share)	(0.18)	(0.32)	(0.10)	(0.41)
Funds Flow	6,020	7,556	7,722	(42)
Basic – per share (\$/share)	0.15	0.18	0.20	-
Diluted – per share (\$/share)	0.14	0.18	0.19	-
Cash flow from operations	4,279	5,472	6,313	(4,638)
Total assets	416,667	406,974	410,018	380,724
Net capital expenditures	2,427	7,813	960	1,125
Long term financial liabilities	283,856	366,156	331,280	304,062
Net debt	118,238	128,451	127,769	134,635

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

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

- The third quarter had production of 8,311 boe/d (53% natural gas) as most second quarter production was brought back on-line as oil prices rose. Average realized commodity prices were \$24.53/boe in the third quarter with oil prices rising to \$42.36/bbl and natural gas prices were \$2.08/mcf. Funds flow was \$4,427 and capital spending was restricted to mainly the power generation project wherein \$1,933 was incurred during the quarter. The power project was commissioned on September 29. The Company exited the quarter with \$124,644 in net debt of which \$73 million was bank debt. The Company remained in forbearance on its syndicated bank line during the third quarter as it worked its way to a solution.
- The second quarter saw realized oil prices drop to \$7.25/bbl in April. As a result Journey shut-in approximately 1,500 boe/d of production. Natural gas prices were reasonably consistent during the quarter as their range was \$1.81/mcf to \$1.97/mcf. The quarter ended up with Funds Flow of \$3,213 and sales volumes averaged 7,808 boe/d (58% natural gas) as compared to 9,325 boe/d (52% natural gas) in the first quarter of 2020. Capital spending was limited to the ongoing completion of the power project as \$1.0 million in capital was spent during the second quarter. The Company exited the quarter with \$126.6 million of net debt.
- The first quarter of 2020 started reasonably strong as WTI averaged \$57.53/bbl US in January while natural gas prices were \$2.29/mcf. February prices were lower on both counts by 12% and 19% respectively. However, the onset of the COVID-19 pandemic and the subsequent Russia/Saudi production dispute sent oil prices crashing in March to average \$30.45 USD. Within Journey, the Company had a dispute with its natural gas purchaser and consequently had to take a provision for bad debts of \$1.9 million. The quarter ended up with negative Funds Flow of \$205. Sales volumes were 6% lower at 9,325 boe/d (52% natural gas) as compared to 9,921 boe/d (54% natural gas) in the fourth quarter of 2019. There were no wells drilled in the first quarter and capital spending was limited primarily to the power project. All available resources of the company were conserved as the declining commodity prices hit the entire industry very hard. \$3.3 million in capital was spent during the first quarter and the company exited the quarter with \$128.4 million of net debt.
- During the fourth quarter of 2019 production volumes averaged 9,463 (51% natural gas) which was flat with the third quarter. Realized prices increased 4% from the third quarter to average \$31.17/boe in the fourth

quarter. This increase was led by a 107% increase in natural gas prices, 5% decline in oil prices and a 34% increase in NGL prices. Total capital spending of \$10,913 was primarily devoted to drilling, completing and tying-in 4 (4.0 net) wells in Matziwin as well as \$1,313 of decommissioning costs.

- During the third quarter of 2019 production volumes averaged 9,445 (51% natural gas) which was a 2% increase from the second quarter. Realized prices decreased 8% from the second quarter to average \$30.10/boe in the third quarter. This decline was led by a 25% decline in natural gas prices, 9% decline in oil prices and a 17% decline in NGL prices. Capital spending was primarily devoted to optimizations and abandonment costs.
- During the second quarter of 2019 production volumes averaged 9,248 (53% natural gas) which was a 1% decline from the first quarter. Realized prices decreased 4% from the first quarter to average \$32.56/boe. This decline was led by a 55% decline in natural gas prices from the first quarter. Capital spending was primarily devoted to drilling 3 (3.0 net) wells in Matziwin. The two “earning” wells under Journey’s Duvernay joint venture were placed on-production in the quarter with Journey having a 3.75% royalty on the production from these wells.
- Alberta benchmark oil prices rebounded in the first quarter of 2019 to average \$66.92/bbl as compared to \$48.27/bbl in the fourth quarter of 2018. The Alberta Government production curtailment initiative was instrumental in reversing the inordinately low oil prices experienced in the fourth quarter of 2018. The low oil prices caused Journey to experience a small negative funds flow of \$46 in the fourth quarter, however this reversed into a positive amount of \$7,722 during the first quarter of 2019. Capital was limited to necessary expenditures as only \$960 was spent during the quarter, with no wells being drilled. As a result of no new wells being drilled, production volumes declined to 9,330 boe/d as compared to 9,921 boe/d in the fourth quarter of 2018. Journey exited the first quarter with \$128 million of net debt. Journey’s anticipated entry back into its drilling program will occur in May of 2019.
- During the fourth quarter of 2018, production volumes averaged 9,921 (54% natural gas). Realized prices decreased 38% to average \$22.34/boe. This decline was led by the decrease in oil prices by 54% from the third quarter resulting from historic WTI/Canadian par differentials. Realized natural gas prices helped offset some of the negative oil price impact with a 48% increase from the third quarter and mainly attributable to the price diversification strategy Journey employed into the US markets. Capital spending was maintenance only as Journey spent \$1,126. Due to the uncertainty surrounding oil price direction, Journey did not drill any new wells in the fourth quarter. The Alberta Government imposed production restrictions on producers that will become effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month and in November. These did not impact Journey’s production Journey entered into a farm out with an industry partner to develop its 140 sections of Duvernay, oil- prospective lands. Drilling by this partner commenced with two wells spud in December.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended September 30, 2020 have been prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended December 31, 2019.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2019 audited consolidated financial statements. Note 4 of the Company’s audited consolidated financial statements for the year ended December 31, 2019 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company’s financial statements. The December 31, 2019, audited consolidated financial statements are available on SEDAR at www.sedar.com.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported

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

CHANGES IN ACCOUNTING POLICIES

There were no new IFRS accounting standards adopted in 2020.

There were no new or amended accounting standards or interpretations issued during the period ended September 30, 2020 that will materially affect the Company's future reporting periods.

RISK FACTORS AND RISK MANAGEMENT

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

Commodity Price Risk

The Company's operating results and financial condition are dependent on prices received for the production of natural gas, NGL and oil. Commodity prices have historically been subject to wide fluctuations and have the most material impact on Funds Flow. These prices are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. Prices received in Canada also reflect changes in the Canadian/US currency exchange rate. Journey's strategy to mitigate these risks focuses on the use of puts, swaps, costless collars and fixed price contracts to limit exposure to downturns in commodity prices while allowing, to the maximum extent possible, maximum exposure to commodity price increases. The Company's hedging activities are conducted pursuant to the Company's Risk Management policy approved by the Board of Directors. Revenues and the resulting Funds Flows fluctuate with commodity prices, which are tied directly to the US/Canadian dollar exchange rate. Commodity prices are determined on a global basis and circumstances that occur in various parts of the world are outside of the control of the Company. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy, diversifying its asset mix and strengthening its balance sheet in order to take advantage of low price environments by making strategic acquisitions. Journey enters into commodity price contracts to actively manage the risks associated with price volatility and thereby partially protect Funds Flows, which are used to fund our capital program.

The risk associated with using these derivative contracts include: commodity prices moving materially in favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. Journey mitigates these risks by dealing with its lending banks as the primary counterparties.

Foreign Exchange Risk

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

Liquidity Risk

Liquidity risk is impacted by the current state of the oil and gas industry in Canada. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices declined significantly due to a dispute between major oil producing countries combined with a collapse in demand due to the

impact of the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Corporation including:

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

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

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

The following table details Journey's financial liabilities as at September 30, 2020:

	< 1 year	1 - 2 years	3 - 5 years	Total
Accounts payable and accrued liabilities	17,012	-	-	17,012
Derivative contracts	161	-	-	161
Bank Debt – principal	73,000	-	-	73,000
Term debt - principal	46,313	-	-	46,313
Interest on bank debt	2,902	-	-	2,902
Interest on term debt	4,439	-	-	4,439
Total	143,827	-	-	143,827

Credit Risk

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

Poor credit conditions in the industry and of joint venture partners may influence a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts

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

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

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

Credit Facility Risk

The global pandemic continues to cause issues with industry debt providers as the decrease in world oil prices are felt by all producers. Journey had been working on solution to deal with the debt owed to its banking syndicate since even before it entered into a forbearance agreement with them on April 24. On October 30 Journey entered into a three way agreement between its term debt provider (AIMCo) and its syndicate of banks wherein the bank debt was settled and AIMCo became its sole debt provider. There is still a risk that give the impact of the pandemic and the time needed for the economy to recover, that Journey may not be able to make its scheduled principal and interest payments. While AIMCo, as the largest shareholder of Journey, has been supportive of Journey, there is no assurance that they will not enforce their security should the payments not be made.

Access to Capital Markets

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

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

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs are decreasing each year

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

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

Administrative Risks

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

Competition

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

Environmental Regulations

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

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner, which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is currently 1.88 and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's Chief Executive Officer and Chief Financial Officer are responsible for establishing and managing internal control over financial reporting ("ICFR"). They have as at the interim period ending September 30, 2020, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

There were no changes in the Corporation's ICFR that occurred during the period beginning on July 1, 2020 and ended on September 30, 2020 that have materially affected or are reasonably likely to materially affect, the Corporation's ICFR.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the third quarter of 2020.

The September 30, 2020 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.