

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

| | Note | September 30, 2018 | December 31, 2017 |
|--|-------|-----------------------|----------------------|
| ASSETS | | | |
| CURRENT | | | |
| Cash | | 7,044 | 8,227 |
| Accounts receivable | | 15,558 | 16,111 |
| Prepaid expenses and deposits | | 3,397 | 1,319 |
| Derivative contracts | 15(b) | 246 | 2,308 |
| Total current assets | | 26,245 | 27,965 |
| Property, plant and equipment | 4 | 332,345 | 345,482 |
| Exploration and evaluation assets | 5 | 15,196 | 11,333 |
| Deferred tax asset | | 32,203 | 32,203 |
| Total assets | | 405,989 | 416,983 |
| LIABILITIES | | | |
| CURRENT | | | |
| Accounts payable and accrued liabilities | | 32,508 | 28,290 |
| Bank debt | 6 | 73,927 | 69,922 |
| Deferred lease obligation | | 62 | 62 |
| Derivative contracts | 15(b) | 12,972 | 4,449 |
| Decommissioning liabilities | 8 | 1,146 | 2,476 |
| Total current liabilities | | 120,615 | 105,199 |
| Promissory notes | 7 | 49,222 | 28,398 |
| Deferred lease obligation | | 280 | 326 |
| Derivative contracts | 15(b) | 1,498 | 16 |
| Decommissioning liabilities | 8 | 163,354 | 173,019 |
| Total liabilities | | 334,969 | 306,958 |
| EQUITY | | | |
| Share capital | 9 | 290,367 | 386,017 |
| Contributed Surplus | | 108,511 | 32,301 |
| Warrants | 10 | 1,702 | - |
| Deficit | | (329,560) | (308,293) |
| Total equity | | 71,020 | 110,025 |
| Total liabilities and equity | | 405,989 | 416,983 |
| Commitments | 17 | | |
| <i>See accompanying notes.</i> | | | |

APPROVED BY THE BOARD*"Signed"* Glenn A. Hamilton, Director*"Signed"* Alex G. Verge, Director

JOURNEY ENERGY INC.**Condensed Consolidated Interim Statement of Comprehensive Income (Loss)****For the three and nine months ended September 30, 2018 and 2017***(unaudited) (in thousands of Canadian dollars, except per share data)*

| | Note | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------|-------------------------------------|---------|------------------------------------|---------|
| | | 2018 | 2017 | 2018 | 2017 |
| REVENUE | | | | | |
| Petroleum and natural gas sales | 16(c) | 34,032 | 23,471 | 94,651 | 79,774 |
| Processing and other income | | 848 | 1,234 | 2,591 | 2,554 |
| Royalties | | (4,578) | (3,074) | (12,689) | (9,749) |
| Gain (loss) on derivative contracts | 15(b) | (2,589) | 717 | (23,051) | 15,982 |
| Net Revenue | | 27,713 | 22,348 | 61,502 | 88,561 |
| EXPENSES | | | | | |
| Operating | | 12,846 | 14,734 | 40,328 | 39,218 |
| Transportation | | 466 | 377 | 1,366 | 1,245 |
| General and administrative | | 2,091 | 2,432 | 7,449 | 7,663 |
| Share based compensation | 11 | 556 | 786 | 1,627 | 2,187 |
| Exploration and evaluation | 5 | 96 | 567 | 1,313 | 1,843 |
| Gain on disposal of assets | | (195) | - | (3,852) | (5,596) |
| Depletion and depreciation | 4 | 8,211 | 8,757 | 24,770 | 25,404 |
| Transaction costs | | 122 | 24 | 171 | 614 |
| Finance expense | 12 | 3,319 | 2,628 | 9,597 | 7,050 |
| Total expenses | | 27,512 | 30,305 | 82,769 | 79,628 |
| INCOME (LOSS) BEFORE TAXES | | 201 | (7,957) | (21,267) | 8,933 |
| Deferred income tax expense (recovery) | 13 | - | (1,898) | - | 3,113 |
| NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) | | 201 | (6,059) | (21,267) | 5,820 |
| NET INCOME (LOSS) PER SHARE | | | | | |
| Basic | 14 | 0.01 | (0.12) | (0.53) | 0.12 |
| Diluted | | 0.01 | (0.12) | (0.53) | 0.12 |

See accompanying notes.

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

| | Note | Share Capital | Contributed Surplus | Warrants | Deficit | Total Equity |
|--------------------------------------|------|------------------|------------------------|--------------|------------------|-----------------|
| Balance, January 1, 2018 | | 386,017 | 32,301 | - | (308,293) | 110,025 |
| Comprehensive loss | | - | - | - | (21,267) | (21,267) |
| Warrants issued | 10 | - | - | 1,702 | - | 1,702 |
| Share repurchase | 9(i) | (95,674) | 74,338 | - | - | (21,336) |
| Share based compensation | 11 | - | 1,903 | - | - | 1,903 |
| Settlement of restricted share units | 9 | 24 | (31) | - | - | (7) |
| Balance, September 30, 2018 | | 290,367 | 108,511 | 1,702 | (329,560) | 71,020 |

| | Share Capital | Contributed Surplus | Warrants | Deficit | Total Equity |
|--------------------------------------|------------------|------------------------|----------|-----------|-----------------|
| Balance, January 1, 2017 | 368,428 | 24,628 | 2,076 | (175,272) | 219,860 |
| Comprehensive income | - | - | - | 5,820 | 5,820 |
| Normal course issuer bid | (9,697) | 7,467 | - | - | (2,230) |
| Issued on asset acquisition | 6,535 | - | - | - | 6,535 |
| Share based compensation | - | 2,578 | - | - | 2,578 |
| Exercise of warrants | 15,689 | - | (2,076) | - | 13,613 |
| Settlement of restricted share units | - | (11) | - | - | (11) |
| Balance, September 30, 2017 | 380,955 | 34,662 | - | (169,452) | 246,165 |

JOURNEY ENERGY INC.**Condensed Consolidated Interim Statement of Cash Flows** *(unaudited)***For the three and nine month periods ended September 30, 2018 and 2017***(in thousands of Canadian dollars)*

| | Note | Three months ended September 30, 2018 | 2017 | Nine months ended September 30, 2018 | 2017 |
|--|-------|---|----------------|--|----------------|
| CASH FLOWS PROVIDED BY (USED IN) | | | | | |
| THE FOLLOWING ACTIVITIES: | | | | | |
| OPERATING | | | | | |
| Net (loss) income | | 201 | (6,059) | (21,267) | 5,820 |
| Adjustments for: | | | | | |
| Unrealized loss (gain) on derivative contracts | 15(b) | (2,314) | 1,574 | 12,067 | (15,162) |
| Share based compensation | 11 | 556 | 786 | 1,627 | 2,187 |
| Depletion and depreciation | 4 | 8,211 | 8,757 | 24,770 | 25,404 |
| (Gain) loss on disposal of assets | | (195) | - | (3,852) | (5,596) |
| Accretion of decommissioning liabilities | 8 | 1,008 | 976 | 2,942 | 2,742 |
| Accretion of promissory notes | 7 | 205 | 116 | 564 | 332 |
| Deferred income tax expense | 13 | - | (1,898) | - | 3,113 |
| Exploration and evaluation expense | 5 | 96 | 567 | 1,313 | 1,843 |
| Decommissioning costs incurred | 8 | (407) | (116) | (1,099) | (594) |
| Changes in non-cash working capital | 16(a) | 3,270 | 11,799 | 2,988 | 5,400 |
| Cash flow provided by operating activities | | 10,631 | 16,502 | 20,053 | 25,489 |
| FINANCING | | | | | |
| Changes in bank debt | 6 | 8,000 | (10,000) | 4,000 | 9,537 |
| Proceeds from issuance of promissory notes | 7 | - | - | 22,000 | - |
| Settlement of restricted share units | | - | - | (7) | (11) |
| Share repurchase | 9(i) | - | (2,210) | (21,336) | (2,230) |
| Issuance of share capital | | - | - | - | 14,148 |
| Changes in non-cash working capital | 16(a) | 41 | 84 | (33) | (165) |
| Cash flow (used in) provided by financing activities | | 8,041 | (12,126) | 4,624 | 21,279 |
| INVESTING | | | | | |
| Additions to property, plant and equipment | 4 | (9,707) | (8,846) | (25,208) | (20,858) |
| Additions to exploration and evaluation assets | 5 | (260) | (760) | (2,028) | (1,624) |
| Additions to administrative assets | 4 | (4) | - | (43) | (75) |
| Acquisition of property, plant and equipment and exploration and evaluation assets | | (16) | 198 | (3,633) | (32,093) |
| Disposition of property, plant and equipment and exploration and evaluation assets | | 340 | - | 5,393 | 6,350 |
| Changes in non-cash working capital | 16(a) | (2,049) | 1,694 | (341) | (1,102) |
| Cash flow used in investing activities | | (11,696) | (7,714) | (25,860) | (49,402) |
| NET (DECREASE) INCREASE TO CASH | | 6,976 | (3,338) | (1,183) | (2,634) |
| CASH, BEGINNING OF PERIOD | | 68 | 2,288 | 8,227 | 1,584 |
| CASH, END OF PERIOD | | 7,044 | (1,050) | 7,044 | (1,050) |

Supplementary cash flow information

16 (b)

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(thousands, except per share data)

1. INCORPORATION AND NATURE OF BUSINESS

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

These condensed consolidated interim financial statements present the results of operations for the Journey group of entities.

The registered address of Journey is 4300, 888 3rd Street SW Calgary, Alberta, Canada and the corporate head office is located at 700, 517 - 10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, the “Financial Statements”, including prior year comparative information, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These Financial Statements have been prepared following the same accounting policies and method of computation as the audited annual consolidated financial statements for the year ended December 31, 2017, except as noted and disclosed in Note 3. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended September 30, 2018 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on November 5, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards adopted in 2018

a) IFRS 9 “Financial instruments”

On January 1, 2018, Journey adopted IFRS 9 “Financial instruments” as issued by the IASB. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income instead of net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Journey does not currently apply hedge accounting. The standard was effective for annual periods beginning on January 1, 2018. The Company retrospectively adopted the standard on January 1, 2018. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements.

b) IFRS 15 “Revenues From Contracts With Customers”

IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Expanded disclosure requirements are also part of the standard. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018. The standard is required to be either adopted retrospectively in full or using a modified approach where prior numbers remain and the retrospective effect is an adjustment to retained earnings. The standard had no material impact on the Company’s financial statements aside from enhanced disclosure related to revenue (Note 16(c)). The standard resulted in a change in presentation between processing and other income and operating expenses with no impact on consolidated net income. The Company retrospectively adopted this standard on January 1, 2018.

Future Changes in Accounting Standards

There were no new or amended accounting standards or interpretations issued during the period ended September 30, 2018 that will affect the Company’s future reporting periods. A summary of accounting standards and interpretations that will have an impact on future reporting periods of the Company are described in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2017.

4. PROPERTY, PLANT AND EQUIPMENT

| | Petroleum and natural gas properties | Administrative | Total |
|---|---|-----------------------|------------------|
| Balance, January 1, 2017 | 1,159,391 | 4,207 | 1,163,598 |
| Additions | 29,842 | 84 | 29,926 |
| Acquisition of property, plant and equipment | 50,694 | - | 50,694 |
| Changes in decommissioning obligations | 14,903 | - | 14,903 |
| Capitalized share-based compensation | 568 | - | 568 |
| Dispositions of property, plant and equipment | (18,416) | - | (18,416) |
| Balance, December 31, 2017 | 1,236,982 | 4,291 | 1,241,273 |
| Additions | 25,208 | 43 | 25,251 |
| Changes in decommissioning obligations | (10,989) | - | (10,989) |
| Capitalized share-based compensation | 276 | - | 276 |
| Disposition of property, plant and equipment | (6,368) | - | (6,368) |
| Transfer from exploration and evaluation assets | 313 | - | 313 |
| Balance, September 30, 2018 | 1,245,422 | 4,334 | 1,249,756 |

| | Petroleum and natural gas properties | Administrative | Total |
|--|--|----------------|------------------|
| Accumulated depletion, depreciation and impairment losses | | | |
| Balance, January 1, 2017 | (829,931) | (3,785) | (833,716) |
| Provision for the year | (34,712) | (141) | (34,853) |
| Disposals | 12,044 | - | 12,044 |
| Impairment | (50,328) | - | (50,328) |
| Impairment reversal/change in estimate | 11,062 | - | 11,062 |
| Balance, December 31, 2017 | (891,865) | (3,926) | (895,791) |
| Provision for the period | (24,680) | (90) | (24,770) |
| Disposals | 3,150 | - | 3,150 |
| Balance, September 30, 2018 | (913,395) | (4,016) | (917,411) |

| | Petroleum and natural gas properties | Administrative | Total |
|--------------------------------|--|----------------|----------------|
| Carrying Amounts, as at | | | |
| December 31, 2017 | 345,117 | 365 | 345,482 |
| September 30, 2018 | 332,027 | 318 | 332,345 |

Future development costs on proved plus probable undeveloped reserves of \$191,013 (December 31, 2017 - \$208,625) were included in the depletion calculation. During the period ended September 30, 2018, the Company capitalized \$919 (December 31, 2017 - \$1,180) for salaries, wages and benefits, and \$276 (December 31, 2017 - \$568) of share based compensation that was directly related to development drilling activities.

Journey disposed of property, plant and equipment assets in the nine month period ended September 30, 2018 for cash proceeds of \$5,293 (2017 - \$6,126) which resulted in a gain (loss) of \$3,752 (2017 - \$5,596) recorded in the comprehensive statement of income (loss).

5. EXPLORATION AND EVALUATION ASSETS

| | |
|---|---------------|
| Balance, January 1, 2017 | 9,991 |
| Additions | 2,664 |
| Acquisitions | 2,938 |
| Disposals | (224) |
| Transfer to expense | (1,715) |
| Lease expiries | (1,988) |
| Impairment | (333) |
| Balance, December 31, 2017 | 11,333 |
| Additions | 2,028 |
| Acquisitions | 3,633 |
| Disposals | (172) |
| Transfer to property, plant and equipment | (313) |
| Transfer to expense | (91) |
| Lease expiries | (1,222) |
| Balance, September 30, 2018 | 15,196 |

Journey disposed of exploration and evaluation assets in the nine month period ended September 30, 2018 for cash proceeds of \$100 (2017 – nil) which resulted in a gain of \$100 (2017 - nil) recorded in the comprehensive statement of income (loss) as the assets had a nominal value to the Company as we retained other rights in the lands.

6. BANK DEBT

Journey renewed and amended its credit facility on April 30, 2018 and currently has an available credit facility of \$100,000 with a syndicate of banks (December 31, 2017 - \$125,000). This facility is comprised of a production facility of \$85,000 and a working capital facility of \$15,000. The production and working capital facilities are available on a revolving basis until their maturity on April 30, 2019. Upon Journey's request, and subject to the syndicates' approval, the facilities may be extended by one year until April 30, 2020. If the facilities are not extended by the syndicate, then the full amount is due and payable on April 30, 2019. Advances under the facilities are available by way of prime rate loans with interest rates between 1.0 percent and 4.5 percent above the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent depending on the debt to cash flow ratio as calculated as of the Company's immediately preceding quarter end. In addition, standby fees on the undrawn facilities are charged at rates ranging from 0.5 percent to 1.375 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility, including renewal fees for the period ended September 30, 2018 was 6.3% (September 30, 2017 – 4.9%). At June 30, 2018 the Company had an outstanding letter of credit in the amount of \$75 that expires June 30, 2019.

The credit facilities are secured by a \$500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base based on changes to reserves and/or forecast prices. Pursuant to the mid-year year review and effective October 31, 2018 the borrowing base of \$100,000 was re-confirmed by the lending syndicate. There are certain standard non-financial covenants in the credit facility agreement. Journey is in compliance with all covenants as at September 30, 2018 and December 31, 2017.

| | September 30, 2018 | December 31, 2017 |
|---------------------------|-----------------------|----------------------|
| Revolving credit facility | 74,000 | 70,000 |
| Deferred financing fees | (73) | (78) |
| Balance, at end of period | 73,927 | 69,922 |

7. PROMISSORY NOTES

| | |
|--|---------------|
| Promissory Notes (A) January 1, 2017 | 27,953 |
| Accretion expense | 447 |
| Unamortized deferred issuance expenses | (2) |
| Promissory Notes (A) December 31, 2017 | 28,398 |
| Accretion expense | 365 |
| Amortized deferred issuance expenses | 19 |
| Promissory Notes (A) September 30, 2018 | 28,782 |

Promissory Notes were issued pursuant to a private placement on October 6, 2016 ("Promissory Notes (A)") and bear interest at 7.65% per annum with interest payable semi-annually and mature on October 31, 2020.

On February 1, 2018 Journey entered into a second private placement of promissory notes (“Promissory Notes (B)”) whereby 22,000 units (the “Units”) were issued at a price of \$1,000 per unit for aggregate proceeds of \$22,000. Each Unit is comprised of: (i) one promissory note with a par value of \$1 thousand, bearing interest at 7.65% per annum with interest payable semi-annually, and (ii) 105 common share purchase warrants. Promissory Notes (B) mature on September 30, 2022 and all or a portion of the outstanding principal can be repaid by Journey without penalty after three years. The Notes are secured by a \$22,000 floating charge debenture over all of the Company’s assets and are subordinate to any current or future claims under the banking credit facility (Note 6). 2,310 Warrants were issued under this placement and expire on June 1, 2020. The Warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of \$2.51 per Warrant.

The fair value of the debt component was determined at the date of issuance to be \$20,298 using the effective interest rate method (9.3%). Under this method, the future payments of interest and principal are discounted using a rate of interest that would be reflective of a similar debt instrument, but without the warrant-feature. The difference between the principal amount and the discounted value was allocated to the value of the Warrants. The initial value of the debt will accrete up to the principal amount of the Notes throughout the term of the Notes.

| | |
|---|----------------|
| Principal amount of Promissory Notes (B) | 22,000 |
| Less: value allocated to Warrants | (1,702) |
| Fair value at date of issue on February 1, 2018 | 20,298 |
| Accretion expense | 199 |
| Unamortized deferred issuance expenses | (57) |
| Promissory Notes (B) September 30, 2018 | 20,440 |

8. DECOMMISSIONING LIABILITIES

The Company’s decommissioning liabilities result from the net ownership interests it has in petroleum and natural gas assets, which include: well sites, gathering systems, natural gas processing facilities and oil batteries. The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning liabilities at September 30, 2018 to be \$191,327 (December 31, 2017 - \$190,026) the majority of which, will be incurred at various times between 2019 and 2070. The present value of the decommissioning liabilities for the period ended September 30, 2018 was calculated using a risk free rate of 2.4% (December 31, 2017 – 2.2%) and an inflation factor of 2.0% (December 31, 2017 – 2.0%). As at September 30, 2018, no funds have been specifically set aside to settle these obligations, rather the decommissioning obligations will be funded from cash flow from operations. Changes to decommissioning liabilities during the nine and twelve month periods below were as follows:

| | September 30, 2018 | December 31, 2017 |
|--|-------------------------------|----------------------|
| Balance, at beginning of period | 175,495 | 149,296 |
| Liabilities acquired | - | 14,244 |
| Revaluation of liabilities acquired ⁽¹⁾ | - | 23,917 |
| Liabilities disposed | (1,849) | (5,842) |
| Incurred on development activities | 1,242 | 1,164 |
| Liabilities settled | (1,099) | (827) |
| Revisions to estimates | 1,989 | (3,220) |
| Changes in discount rate | (14,220) | (6,958) |
| Accretion | 2,942 | 3,721 |
| Balance, at end of period | 164,500 | 175,495 |

⁽¹⁾ At the date of acquisition the decommissioning liabilities acquired were fair valued using a credit adjusted risk free rate. Immediately after the acquisition the liability was revalued using a risk-free discount rate.

9. SHARE CAPITAL

The outstanding shares of the Company at each respective period end are as follows:

| COMMON SHARES | Number | \$ |
|--|---------------|----------------|
| Balance, January 1, 2017 | 43,703 | 368,428 |
| Issued on exercise of warrants (note 10) | 4,950 | 15,688 |
| Normal course issuer bid | (1,270) | (9,627) |
| Issued on asset acquisition | 2,076 | 6,000 |
| Issued for services | 185 | 535 |
| Issued on settlement of PSU's and RSU's | 576 | 2,808 |
| Flow-through shares issued | 1,020 | 2,193 |
| Share issue costs, net of tax | - | (8) |
| Balance, December 31, 2017 | 51,240 | 386,017 |
| Issued on settlement of RSU's | 6 | 24 |
| Share repurchase (i) | (12,700) | (95,674) |
| Balance, September 30, 2018 | 38,546 | 290,367 |

i. *Share repurchase*

On February 2, 2018 Journey acquired 12,700 common shares from a significant shareholder for \$21,336, representing an average price of \$1.68. Concurrently with the closing of the share repurchase, the Toronto Stock Exchange required the Company to terminate its normal course issuer bid for the current year.

10. WARRANTS

| | Number | \$ |
|------------------------------------|---------------|--------------|
| Balance, January 1, 2017 | 4,950 | 2,076 |
| Exercised | (4,950) | (2,076) |
| Balance, December 31, 2017 | - | - |
| Issued | 2,310 | 1,702 |
| Balance, September 30, 2018 | 2,310 | 1,702 |

As part of a private placement of promissory notes (Note 7), 2,310 share purchase warrants were issued to the holder of the notes. The warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of \$2.51 per warrant.

11. SHARE BASED COMPENSATION

a) Restricted Share Units (“RSU’s”) and Performance Share Units (“PSU’s”)

The following table summarizes the RSU’s and PSU’s outstanding:

| | RSU’s | PSU’s |
|--------------------------------------|--------------|------------|
| Balance at January 1, 2017 | 1,308 | 504 |
| Granted | 1,593 | 305 |
| Exercised | (712) | (65) |
| Forfeited | (95) | (15) |
| Balance at December 31, 2017 | 2,094 | 729 |
| Granted | 9 | - |
| Exercised | (10) | - |
| Forfeited | (74) | (23) |
| Balance at September 30, 2018 | 2,019 | 706 |

b) Stock options

All stock options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant date. The following stock options were outstanding at the end of the respective periods:

| | Stock options | Weighted average exercise price \$ | Number of options exercisable |
|--------------------------------------|---------------|------------------------------------|-------------------------------|
| Balance, January 1, 2017 | 2,807 | 4.58 | 1,207 |
| Granted | 80 | 2.65 | - |
| Forfeited | (194) | 6.44 | (123) |
| Balance at December 31, 2017 | 2,693 | 4.39 | 1,693 |
| Expired | (719) | 6.00 | (719) |
| Forfeited | (104) | 3.88 | (67) |
| Cancelled | (412) | 5.26 | (412) |
| Balance at September 30, 2018 | 1,458 | 3.38 | 1,033 |

On April 30, 2018 holders of 412 stock options with a strike price of \$5.26 voluntarily surrendered their options for cancellation. The surrender had no impact on the consolidated statement of comprehensive income (loss) as the associated share based compensation expense had been fully recognized.

For the nine month period ended September 30, 2018 nil (September 30, 2017 – 60) stock options were granted to employees. During the nine month period ended September 30, 2018, \$277 (September 30, 2017 - \$643) was recorded as share based compensation expense related to the stock options previously issued.

c) Performance warrants

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

| | Number | Weighted average Exercise price \$ | Weighted average fair value per warrant \$ |
|--------------------------------------|--------|--|---|
| Series A | | | |
| Balance, January 1, 2017 | 151 | 6.00 | 3.78 |
| Forfeited | (1) | 6.00 | 3.78 |
| Balance at December 31, 2017 | 150 | 6.00 | 3.78 |
| Forfeited | (3) | 6.00 | 3.78 |
| Expired | (147) | 6.00 | 3.78 |
| Balance at September 30, 2018 | - | - | - |

All of the series A performance warrants expired July 1, 2018.

| | Number | Weighted average Exercise price \$ | Weighted average fair value per warrant \$ |
|--------------------------------------|--------|--|---|
| Series B | | | |
| Balance, January 1, 2017 | 298 | 7.00 | 3.46 |
| Forfeited | (2) | 7.00 | 3.46 |
| Balance at December 31, 2017 | 296 | 7.00 | 3.46 |
| Forfeited | (7) | 7.00 | 3.46 |
| Expired | (289) | 7.00 | 3.46 |
| Balance at September 30, 2018 | - | - | - |

All of the series B performance warrants expired July 1, 2018.

| | Number | Weighted average Exercise price \$ | Weighted average fair value per warrant \$ |
|--------------------------------------|--------|--|---|
| Series C | | | |
| Balance, January 1, 2017 | 339 | 11.06 | 5.25 |
| Forfeited | (147) | 10.51 | 5.39 |
| Balance at December 31, 2017 | 192 | 11.48 | 5.14 |
| Expired | (192) | 11.48 | 5.14 |
| Balance at September 30, 2018 | - | - | - |

All of the series C performance warrants expired July 1, 2018

d) Share purchase warrants

The share purchase warrants outstanding are as follows:

| | Number | Weighted average Exercise price \$ | Weighted average fair value per warrant \$ |
|---|--------|--|---|
| Balance, January 1, 2017, December 31, 2017 | 975 | 6.98 | 2.16 |
| Expired | (975) | 6.98 | 2.16 |
| Balance at September 30, 2018 | - | - | - |

All of the share purchase warrants expired July 1, 2018.

Share based compensation is summarized below for the current periods.

| | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|-------------------------------------|-------|------------------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Stock options expense | 77 | 192 | 277 | 643 |
| PSU's and RSU's expense | 572 | 825 | 1,626 | 2,032 |
| Performance warrants expense | - | (99) | - | (96) |
| Total share based compensation | 649 | 918 | 1,903 | 2,579 |
| Less: capitalized portion | (93) | (132) | (276) | (392) |
| Share based compensation expense | 556 | 786 | 1,627 | 2,187 |

12. FINANCE EXPENSE

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-------|------------------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest and bank charges | 2,106 | 1,536 | 6,091 | 3,976 |
| Accretion of decommissioning liabilities | 1,008 | 976 | 2,942 | 2,742 |
| Accretion of promissory notes | 205 | 116 | 564 | 332 |
| Total finance expense | 3,319 | 2,628 | 9,597 | 7,050 |

13. DEFERRED INCOME TAXES

The provision for deferred income tax reflects an effective rate which differs from the expected statutory federal and provincial tax rates. Differences between the statutory and effective rates for the periods ended September 30, 2018 and 2017 are accounted for as follows:

| | Three months ended September 30. | | Nine months ended September 30, | |
|--|-------------------------------------|---------|------------------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Net (loss) income before taxes | 201 | (7,957) | (21,267) | 8,933 |
| Expected income taxes, at the statutory rate of 27.0% (2017 – 27.0%) | 54 | (2,148) | (5,742) | 2,412 |
| Tax effect of non-deductible and non-taxable amounts related to: | | | | |
| Share based compensation expense | 158 | 218 | 461 | 607 |
| Accretion expense | 55 | 32 | 152 | 90 |
| Non-deductible items | 2 | - | 5 | 4 |
| Deferred tax asset (liability) not recognized | (269) | - | 5,124 | - |
| Deferred income tax expense (recovery) | - | (1,898) | - | 3,113 |

As at September 30, 2018 it was determined by Management that it was more likely than not, that the deferred tax asset created in 2018, would not be recognized.

14. PER SHARE AMOUNTS

The following table summarizes the weighted average common shares used in calculating per share amounts:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | 201 | (6,059) | (21,267) | 5,820 |
| Weighted average shares outstanding - basic | 38,546 | 50,863 | 40,080 | 48,813 |
| Weighted average shares outstanding - diluted | 39,767 | 50,863 | 40,080 | 49,320 |
| Net income (loss) per share – basic | \$ 0.01 | \$ (0.12) | \$ (0.53) | \$ 0.12 |
| Net income (loss) per share – diluted | \$ 0.01 | \$ (0.12) | \$ (0.53) | \$ 0.12 |

The net income (loss) per basic share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the respective periods. Excluded from the diluted number of shares for the nine month period ended September 30, 2018 are 823 weighted average common shares as to include them would be anti-dilutive. For the three month period ended September 30, 2018 the dilutive impact of RSU's, PSU's and stock options was an additional 1,221 weighted average common shares. For the nine month period ended September 30, 2017 the dilutive impact of RSU's, PSU's and stock options was an additional 507 weighted average common shares. Excluded from the diluted number of shares for the three month period ended September 30, 2017 is the effect of 2,084 RSU's, PSU's and stock options as to include them would be anti-dilutive.

15. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

| Classification and measurement | September 30, 2018 | | December 31, 2017 | |
|--|--------------------|----------------------|-------------------|----------------------|
| | Carrying value | Estimated fair value | Carrying value | Estimated fair value |
| Amortized cost | | | | |
| Cash | 7,044 | 7,044 | 8,227 | 8,227 |
| Accounts receivable | 15,558 | 15,558 | 16,111 | 16,111 |
| Accounts payable and accrued liabilities | (32,508) | (32,508) | (28,290) | (28,290) |
| Promissory notes | (49,222) | (52,000) | (28,398) | (30,000) |
| Bank debt | (74,000) | (74,000) | (70,000) | (70,000) |
| Fair value through profit or loss | | | | |
| Derivative contracts – current asset | 246 | 246 | 2,308 | 2,308 |
| Derivative contracts – current liability | (12,972) | (12,972) | (4,449) | (4,449) |
| Derivative contracts – non-current liability | (1,498) | (1,498) | (16) | (16) |

The fair value of bank debt and promissory notes are based upon level 2 inputs. The fair value of these items approximates the carrying values as they bear interest at a rate that approximates a market rate of interest given their term and security held. The fair value of Journey's commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data.

(b) Derivative contracts

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

| Oil contracts | Volume bbls/d | Pricing point | Strike price per bbl (CDN) | Term | Fair value |
|--|---------------|---------------|----------------------------|--------------------------------------|-----------------|
| Swap | 1,500 | WTI NYMEX | \$69.50 | January 2, 2018 to December 31, 2018 | (3,403) |
| Swap | 1,000 | WTI NYMEX | \$71.00 | October 1, 2018 to March 31, 2019 | (4,121) |
| Swap | 1,000 | WTI NYMEX | \$71.50 | April 1, 2019 to June 30, 2019 | (1,865) |
| Swap | 500 | WTI NYMEX | \$74.00 | October 1, 2018 to March 31, 2019 | (1,791) |
| Collar | 500 | WTI NYMEX | \$70.00-\$77.00 | April 1, 2019 to March 31, 2020 | (2,575) |
| Collar | 500 | WTI NYMEX | \$77.00-\$84.15 | July 1, 2019 to December 31, 2019 | (715) |
| Total oil derivative contracts fair value | | | | | (14,470) |
| Natural Gas | | | | | |
| Natural Gas contracts | Volume GJ's/d | Pricing point | Strike price per GJ (CDN) | Term | Fair value |
| Swap | 2,500 | AECO 7a | \$2.62 | October 1, 2018 to December 31, 2018 | 173 |
| Swap | 1,000 | AECO 7a | \$2.66 | October 1, 2018 to December 31, 2018 | 73 |
| Total gas derivative contracts fair value | | | | | 246 |
| Total derivative contracts fair value | | | | | (14,224) |

A 10% increase or decrease in the respective commodity prices would have impacted the annual pre-tax net income (loss) by the following amounts as at September 30, 2018:

| Commodity | 10% increase | 10% decrease |
|------------------|---------------------|---------------------|
| Oil | (4,999) | 4,999 |
| Natural gas | (60) | 60 |
| Total | (5,059) | 5,059 |

The loss (gain) on derivative contracts for the periods ended September 30, 2018 and 2017 was as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|------------|----------------------------------|---------|---------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Realized | 4,903 | (2,291) | 10,984 | (820) |
| Unrealized | (2,314) | 1,574 | 12,067 | (15,162) |
| | 2,589 | (717) | 23,051 | (15,982) |

(c) Risks

(i) Credit risk

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

Journey is exposed to losses in the event of non-performance by counterparties to financial risk management contracts. Journey minimizes credit risk associated with possible non-performance of these financial instruments by entering into contracts with only investment grade counterparties, limiting exposure to any one counterparty and monitoring procedures around extending credit. Journey is managing this risk within its credit limit guidelines and procedures. While Management believes Journey's credit limit guidelines and procedures are sufficient to address credit risk, they are still subject to the volatility of the general financial credit environment. Journey's maximum credit risk relates to.

| | 2018 | 2017 |
|----------------------|---------------|--------|
| Cash | 7,044 | 8,227 |
| Accounts receivable | 15,558 | 16,111 |
| Derivative contracts | 246 | 2,308 |
| Total | 22,848 | 26,646 |

For the period ended September 30, 2018, Journey determined that \$521 (2017 - \$263) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At September 30, 2018 Journey assessed its provision for uncollectable accounts and increased it to \$695 (2017 - \$326). Accounts receivable balances outstanding greater than ninety days at September 30, 2018 was \$1,931 (2017 - \$1,636).

(ii) Interest rate risk

Borrowings under bank credit facilities are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. A 1% change in interest rates, using bank debt balances at September 30, 2018 would result in a \$740 change to annual pre-tax net income (loss).

(iii) Foreign exchange risk

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

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. The main source of liquidity risk at September 30, 2018 relates to the renewal date of the credit facility. The credit facility matures April 30, 2019 and if not renewed by the syndicate of lenders becomes due and payable at that date. Management believes that the facility will be renewed by the lenders as it has in the past. However, the amount available under the facility is dependent on the reserve evaluations of the Company. Journey mitigates liquidity risk by management of cash and debt. Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital balance. The 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, 2018:

| | < 1year | 1 - 2 years | 3 – 5 years | Total |
|--|----------------|--------------|---------------|----------------|
| Accounts payable and accrued liabilities | 32,508 | - | - | 32,508 |
| Derivative contracts | 12,972 | 1,498 | - | 14,470 |
| Bank Debt - principal | 74,000 | - | - | 74,000 |
| Promissory notes - principal | - | - | 52,000 | 52,000 |
| Interest on bank debt | 4,447 | - | - | 4,447 |
| Interest on promissory notes | 3,978 | 3,985 | 3,560 | 11,523 |
| | 127,905 | 5,483 | 55,560 | 188,948 |

16. SUPPLEMENTAL INFORMATION

a) Changes in non-cash working capital

| <i>Sources (uses) of funds</i> | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Accounts receivable | (1,516) | 2,911 | 553 | 636 |
| Prepaid expenses and deposits | 97 | 467 | (2,078) | (1,837) |
| Deferred financing charge | 41 | 84 | (33) | (165) |
| Deferred lease obligation | (15) | (15) | (46) | (46) |
| Accounts payable and accrued liabilities | 2,655 | 10,130 | 4,218 | 5,545 |
| | 1,262 | 13,577 | 2,614 | 4,133 |
| <u>Relating to:</u> | | | | |
| Operating activities | 3,270 | 11,799 | 2,988 | 5,400 |
| Financing activities | 41 | 84 | (33) | (165) |
| Investing activities | (2,049) | 1,694 | (341) | (1,102) |
| | 1,262 | 13,577 | 2,614 | 4,133 |

b) *Supplementary cash flow information*

| | Three months ended September 30, | | Nine months ended September 30, | |
|---------------|-------------------------------------|-------|------------------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest paid | 1,163 | 1,405 | 3,218 | 3,259 |

c) *Revenue*

| | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------------|-------------------------------------|--------|------------------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Crude oil | 27,369 | 17,034 | 73,236 | 55,798 |
| Natural gas | 4,759 | 4,371 | 13,490 | 19,015 |
| Natural gas liquids | 1,904 | 2,066 | 7,925 | 4,961 |
| Petroleum and natural gas sales | 34,032 | 23,471 | 94,651 | 79,774 |

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized based on the specified parameters in the relevant contracts with marketers and third parties. Revenue is recognized when the transfer of control of the product is transferred to the counterparty in the contract. All contracts are also examined to determine if Journey acts as an agent on behalf of a third party. If this is the case revenue is recognized on a net basis realized by the Company.

17. COMMITMENTS AND CONTINGENCIES

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

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

| | Total | 2018 | 2019 - 2020 | 2021 - 2022 | Thereafter |
|----------------------------|---------------|------|-------------|-------------|------------|
| Natural gas transportation | 978 | 183 | 690 | 105 | - |
| Operating leases | 10,253 | 486 | 3,821 | 3,755 | 2,191 |
| Total | 11,231 | 669 | 4,511 | 3,860 | 2,191 |

18. RELATED PARTY TRANSACTIONS

Through the normal course of its operations Journey uses the services of Questor Technology ("Questor"). Questor is considered a related party as the presidents of each company are related. During the three and nine month periods ended September 30, 2018 Journey paid Questor \$26 (2017 – nil).

19. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt, promissory notes and working capital (current assets less current liabilities, but excluding the fair value of derivative contracts and decommissioning liabilities). The Company's key objectives when managing its capital structure are to: 1) meet its financial obligations as they come due; 2) finance its internally generated capital program; and

3) maintain financial flexibility to take advantage of accretive acquisitions that arise from time to time. To accomplish this Management strives to optimize its cost of capital while at the same time managing its leverage. To manage its capital structure Journey may: issue equity or term debt, adjust discretionary capital spending, use its credit facility to execute its capital program, or dispose of non-core assets.

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

Journey remains committed to reducing bank debt and restoring the net debt to funds flow ratio to the internally desired level of approximately 2.0. While the most recent quarter's funds flow is often used as a benchmark for measuring the net debt to funds flow ratio, Journey factors in anomalies in current funds flow such as unusually low commodity prices and/or non-recurring operating costs. As at September 30, 2018 the net debt is higher than the desired operating level due significantly to the additional term debt of \$22,000 from January of 2018, which was used to finance the repurchase of 12,700 common shares. This additional leverage has resulted in the Company altering its planned capital expenditures for 2018 and 2019 to allow the net debt to funds flow ratio to move closer to the desired level.

20. PRIOR YEAR COMPARATIVE NUMBERS

Processing revenue, previously netted with operating expenses in 2017, has been reclassified to the revenue section of the Financial Statements to conform to the current disclosure in 2018.