



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2017

March 23, 2018

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CONVENTIONS

Words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this AIF (as defined herein) are in Canadian dollars unless otherwise indicated.

All financial information in this AIF has been presented in accordance with GAAP (as defined herein).

Certain terms used in this AIF are defined under the headings “*Glossary*”, “*Presentation of Oil and Gas Reserves and Production Information - Glossary of Selected Oil and Gas Terms*” and “*Presentation of Oil and Gas Reserves and Production Information - Selected Abbreviations*”. Certain other terms used in this AIF but not defined herein are defined in NI 51-101 (as defined herein) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF constitute forward-looking statements. These statements relate to future events or the Company’s (as defined herein) future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “shall”, “project”, “should”, “could”, “would”, “believe”, “predict”, “forecast”, “pursue”, “potential” and “capable” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF. In addition, this AIF may contain forward-looking statements and forward-looking information attributed to third party industry sources.

In particular, this AIF contains forward-looking statements pertaining to the following:

- the reserve potential of the Company’s assets;
- the estimated production and decline rates from the Company’s assets;
- the Company’s growth strategy through accretive acquisitions and organically;
- the Company’s plans to optimize legacy pools through horizontal drilling and water floods;
- the Company’s expectations to renew the Credit Facility;
- the Company’s targets for future growth;
- expectations with respect to future opportunities and stability;
- expectations with respect to future funds flow, net debt, Capital Efficiencies (as defined herein), payout ratios and other financial results;
- the Company’s capital expenditure programs;
- the estimated quantity and value of the Company’s proved and probable reserves;
- the Company’s estimates of future interest and foreign exchange rates;
- the cash available for the funding of capital expenditures;
- the Company’s environmental considerations;
- the Company’s expectations regarding commodity prices and costs;
- the timing of commencement of certain of the Company’s operations and the level of production anticipated by the Company and production method efficacy;
- expectations regarding tax horizon;
- the potential for production disruption and constraints;
- supply and demand fundamentals for crude oil and natural gas;
- the expectation that supply in excess of current pipeline and refining capacity is expected to continue;
- the Company’s access to adequate pipeline capacity;
- the Company’s access to third-party infrastructure;

- the Company's hedging policy;
- the Company's plans for, funding for and planned exploration and development activities, the expected results for such activities and how such activities are expected to be funded;
- the Company's abandonment and reclamation cost expectations;
- the Company's treatment under governmental regulatory regimes and tax laws;
- the Company's future general and administrative expenses;
- the Company's access to capital and overall strategy, development and drilling plans for all of the Company's assets; and
- expectations on how the Company will manage exploration, production and marketing risks.

With respect to forward-looking statements contained in this AIF, assumptions have been made regarding, among other things:

- future crude oil, NGL (as defined herein) and natural gas prices;
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future;
- the Company's ability to market production of oil and natural gas successfully to customers;
- the Company's future production levels;
- the applicability of technologies for recovery and production of the Company's reserves;
- the recoverability of the Company's reserves;
- future capital expenditures to be made by the Company;
- future cash flows from production meeting expectations;
- future sources of funding for the Company's capital program;
- the Company's future debt levels;
- geological and engineering estimates in respect of the Company's reserves;
- the geography of the areas in which the Company is conducting exploration and development activities;
- the impact of competition on the Company; and
- the Company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this AIF, including:

- business operations and capital costs;
- the Company's status and stage of development and the management of growth;
- general economic, market and business conditions;
- volatility in market prices and demand for crude oil and natural gas and hedging activities related thereto;
- seasonality of the Canadian oil and gas industry;
- risks related to the exploration, development and production of oil and natural gas reserves;
- current global financial conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility;
- risks related to the timing of completion of the Company's projects;
- competition for, among other things, capital, the acquisition of reserves and resources and skilled personnel;
- operational hazards;
- risks relating to the Company's dividend policy, including any changes thereto;
- actions by governmental authorities, including changes in government regulation and taxation;
- environmental risks and hazards;
- risks inherent in the exploration, development and production of oil and natural gas which may create liabilities to the Company in excess of the Company's insurance coverage;
- cost of new technologies;
- failure to accurately estimate abandonment and reclamation costs;

- failure of third parties' reviews, reports and projections to be accurate;
- the availability of capital on acceptable terms;
- political risks;
- climate change;
- changes to royalty or tax regimes;
- the failure of the Company or the holders of certain licenses or leases to meet specific requirements of such licenses or leases;
- claims made in respect of the Company's properties or assets;
- aboriginal claims;
- unforeseen title defects;
- risks arising from future acquisition activities;
- risks associated with the realization of anticipated benefits of acquisitions and dispositions;
- hedging strategies;
- potential conflicts of interest;
- the potential for management estimates and assumptions to be inaccurate;
- risks associated with establishing and maintaining systems of internal controls;
- risks related to the reliance on historical financial information, including that historical financial information does not reflect the added costs that the Company expects to incur as a public entity;
- restrictions contained in the Company's Credit Agreement (as defined herein);
- liquidity and additional funding requirements;
- additional indebtedness;
- failure to engage or retain key personnel;
- potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Company is reliant;
- uncertainties inherent in estimating quantities of oil and natural gas reserves;
- failure to acquire or develop replacement reserves;
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties;
- failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties;
- disclosure of confidential information of the Company; and
- other factors discussed under "*Risk Factors*".

Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive.

In addition, information and statements in this AIF relating to "reserves" are deemed to be forward-looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and that the reserves described can be profitably produced in the future. See also "*Note on Reserves Data*".

There are numerous uncertainties inherent in estimating quantities of oil and natural gas and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this AIF are estimates only. In general, estimates of economically recoverable oil and natural gas and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For these reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Journey's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. See also "*Note on Reserves Data*".

The forward-looking statements included in this AIF are expressly qualified by this cautionary statement and, except as otherwise indicated, are made as of the date of this AIF. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or departures from them except as required by applicable securities laws.

ACCESS TO DOCUMENTS

Any document referred to in this AIF and described as being accessible on the SEDAR website at www.sedar.com (including those documents referred to as being incorporated by reference in this AIF) may be obtained free of charge from the Company at Suite 700, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8.

NON-GAAP MEASURES

Journey uses terms within this AIF that do not have a standardized prescribed meaning under GAAP (as defined herein) and these measurements may not be comparable with the calculation of similar measurements of other entities.

Throughout this AIF the Company uses the terms “funds flow”, “netback”, and “net debt”. These terms do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements by other entities.

“Funds flow” is a non-GAAP measure and is calculated based on cash flow from operating activities before the change in non-cash working capital and decommissioning expenditures. Journey believes the timing of collection, payment or incurrance of these items involves a high degree of discretion and as such may not be useful for evaluating Journey’s operating performance. Management utilizes Funds Flow as a key measure to assess the ability of the Company to finance dividends, operating activities and capital expenditures. Funds Flow should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indication of Journey’s performance.

A reconciliation of funds flow to the GAAP measured cash flow from operating activities is as follows:

	Year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Cash flow from operating activities	36,798	17,333	55,407
Transaction costs	628	185	-
Decommissioning expenditures	827	526	1,260
<u>Change in non-cash working capital</u>	<u>(7,127)</u>	<u>9,428</u>	<u>(7,125)</u>
Funds flow	31,126	27,472	49,542

“Netback” is a non-GAAP measure and is calculated on a per boe basis and is determined by deducting royalties and operating expenses from petroleum and natural gas revenue. Netback is utilized by Journey to better analyze the operating performance of its petroleum and natural gas assets against prior periods.

“Net debt” is an additional non-GAAP measure and is calculated as total bank debt (current plus the long term portions of the bank debt) plus all other current liabilities (excluding derivative contract fair values and decommissioning liabilities) less current assets (excluding derivative contract fair values). Net debt is used by management in its capital budgeting by analyzing the financial position and leverage of the Company. It is also used as a comparison metric to assess financial strength in relation to Journey’s peers.

PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

Journey has adopted the standard of 6 Mcf:1 Bbl when converting natural gas to oil equivalent. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

The discounted and undiscounted net present values of future net revenues attributable to reserves do not represent the fair market value of reserves.

There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves provided in this AIF are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided in this AIF.

The estimates of reserves and future net revenue for individual properties in this AIF may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Glossary of Selected Oil and Gas Terms

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below. These definitions are generally as set forth in the COGE Handbook (as defined herein) and NI 51-101 and are reproduced below for the convenience of the reader.

°API means the American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; and if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids.

API means the American Petroleum Institute.

basin means a large natural depression on the earth's surface in which sediments generally brought by water accumulate.

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

company gross reserves means the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company.

developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

development cost means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

development well means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

exploration costs means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

exploratory well means a well that is not a development well, a service well or a stratigraphic test well.

field means a defined geographical area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

finding, development and acquisition costs means the identified capital expenditures associated with the addition of proved plus probable reserves including changes in future development capital, divided by the associated reserve additions during the period that the expenditures were incurred.

forecast prices and costs means future prices and costs that are:

- (a) generally acceptable as being a reasonable outlook of the future; and

- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

formation means a layer of rock which has distinct characteristics that differ from nearby rock.

future income taxes when used are estimated:

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances; and
- (d) applying to the future pre-tax net cash flows relating to Journey's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

gross means:

- (a) in relation to a company's interest in production or reserves, its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company;
- (b) in relation to wells, the total number of wells in which a company has an interest; and
- (c) in relation to properties, the total area of properties in which a company has an interest.

horizontal drilling means a drilling technique used in certain formations where a well is drilled vertically to a certain depth, after which the drill path builds to 90 degrees until it is in the target formation and continues horizontally for a certain distance.

liquids means crude oil and natural gas liquids.

net means:

- (a) in relation to a company's interest in production and reserves, the company's interest (operating and non-operating) share after deduction of royalty obligations, plus the company's royalty interest in production or reserves;
- (b) in relation to a company's interest in wells, the number of wells obtained by aggregating the company's working interest in each of its gross wells; and
- (c) in relation to a company's interest in a property, the total area in which the company has an interest multiplied by the working interest owned by the company.

probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

reservoir means a porous and permeable underground rock formation containing a natural accumulation of petroleum that is confined by impermeable rock or water barriers, is separate from other reservoirs and is characterized by a single pressure system.

service well means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

working interest means the right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

Selected Abbreviations

In this AIF, unless otherwise indicated or the context otherwise requires, the following abbreviations shall have the meaning set forth below:

Crude Oil and Natural Gas Liquids

bbl(s)	Barrel(s) of oil
bbl/d	barrels of oil per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
Mbbls	thousand barrels
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
NGLs	natural gas liquids
WTI	West Texas Intermediate

Natural Gas

Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMcf	million cubic feet
MMcf/d	million cubic feet per day

Other	
\$ or dollars	Canadian dollars
\$000	thousand dollars
MM\$	million dollars
\$/bbl	dollars per barrel of oil
\$/boe	dollars per barrel of oil equivalent
\$/Mcf	dollars per thousand cubic feet
\$US or US\$	United States dollars
3D	three dimensional
m	metre

Selected Conversions

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.315
bbls	cubic metres	0.159
cubic metres	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
sections	acres	640
acres	sections	0.0015625

NOTE ON RESERVES DATA

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The qualitative certainty levels referred to in the definitions set forth in the “*Presentation of Oil and Gas Reserves and Production Information - Glossary of Selected Oil and Gas Terms*” in this AIF are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

GLOSSARY

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below:

AB LLR Program means the Alberta Licensee Liability Rating Program.

ABCA means the *Business Companies Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

Action Plan means "Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution" released by the Government of Canada.

AER means the Alberta Energy Regulator.

AIF means this annual information form.

AIMCo means the Alberta Investment Management Company.

Alberta Royalty Framework means the *Mines and Minerals (New Royalty Framework) Amendment Act* (Alberta).

ALSA means the *Alberta Land Stewardship Act*.

ALUF means the Alberta Land Use Framework.

Audit Committee means the audit committee of the Board.

Board or **Board of Directors** means the board of directors of the Company.

Bulletin 16 means Bulletin 2016-16: Licensee Eligibility—Alberta Energy Regulator Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater decision.

Bulletin 21 means Bulletin 2016-21: Revision and Clarification on Alberta Energy Regulator's Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater decision.

Capital Efficiency means the aggregate amount of capital expenditures (including drilling, well completion, associated equipment and connecting to infrastructure) associated with generating new production, divided by the average production rate over the initial 365 day period.

CCIR means the *Carbon Competitiveness Incentive Regulation* (Alberta).

CEO means Chief Executive Officer.

CETA means the Comprehensive Economic and Trade Agreement.

Changes has the meaning set out in "*Industry Conditions – Liability Management Rating Programs – Alberta*".

CLA means the *Climate Leadership Act* (Alberta).

CLIA means the *Climate Leadership Implementation Act* (Alberta).

Common Shares means the common shares in the capital of the Company.

COO means the Chief Operating Officer.

CPTPP means the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Credit Agreement means the \$125 million amended and restated credit agreement dated November 24, 2016, among Journey, as borrower, the financial institutions party thereto as lenders and Bank of Montreal as agent for the lenders, See “*Description of Share Capital – Credit Agreement*”.

Credit Facility means the current \$125 million credit facility comprised of: (a) a production facility of \$110 million and (b) a working capital facility of \$15 million.

CSA 51-324 means Staff Notice 51-324 – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

Directive 013 means Directive 013: Suspension Requirements for Wells.

ESTMA means the *Extractive Sector Transparency Measures Act* (Canada).

GAAP means generally accepted accounting principles for publicly accountable enterprises (being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board).

GHG means greenhouse gas.

GLJ means GLJ Petroleum Consultants, independent petroleum consultants of Calgary, Alberta.

GLJ Report means the report prepared by GLJ dated February 22, 2017 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to all of the assets of Journey as at December 31, 2016. The related Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor in Form 51-101F2 and Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached hereto as Appendices “A” and “B”, respectively.

Governance & Compensation Committee means the corporate governance & compensation committee of the Board.

INDC means Intended Nationally Determined Contribution.

IWCP means the Inactive Well Compliance Program.

JDRF means the Juvenile Diabetes Research Foundation.

Journey or the **Company** means Journey Energy Inc.

LARP means the Lower Athabasca Regional Plan.

LIBOR means the London Interbank Offered Rate.

LMR means the liability management rating, reflecting the results of a comparison of a company’s deemed assets to their deemed liabilities.

MIE means MIE Maple Investments Ltd.

MIEH means MIE Holdings Corporation.

MRF means the Modernized Royalty Framework for Alberta.

NAFTA means the North American Free Trade Agreement.

NDC means Nationally Determined Contributions.

NEB means the National Energy Board of Canada.

NI 51-101 means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

OGCA means the *Oil and Gas Conservation Act* (Alberta).

OPEC means the Organization of Petroleum Exporting Countries.

Order has the meaning set out in “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions – Cease Trade Orders*”.

Orphan Fund has the meaning set out in “*Industry Conditions – Liability Management Rating Programs – Alberta*”.

Paris Agreement has the meaning set out in “*Industry Conditions – Climate Change Regulation – Federal*”.

Preferred Shares means the preferred shares in the capital of the Company.

Promissory Notes (2016) means the promissory notes issued to AIMCo in the private placement on October 6, 2016 in the aggregate face value amount of \$30,000,000 and bearing interest at 7.65% per annum.

Promissory Notes (2018) means the promissory notes issued to AIMCo in the private placement on January 31, 2018 in the aggregate face value amount of \$22,000,000 and bearing interest at 7.65% per annum.

Prosperity Act means the *Jobs, Growth and Long-term Prosperity Act* (Canada).

PSP means Infra-PSP Partners Inc., a wholly-owned subsidiary of PSP Investments.

Redwater means the Alberta Court of Queen's Bench decision *Redwater Energy Corporation (Re)*, 2016 ABQB 278.

Regulated Emitters has the meaning set out in “*Industry Conditions – Climate Change Regulation – Alberta*”.

Reserves Committee means the reserves committee of the Board.

Restricted Voting Shares means the additional class of shares, which shares are not entitled to vote with respect to the election of directors of Journey, that the Company created on June 6, 2014. See “*Description of Share Capital – Restricted Voting Shares*”.

SGER means the *Specified Gas Emitters Regulation* (Alberta).

Shareholders means the holders of Common Shares from time to time.

SSRP means the South Saskatchewan Regional Plan.

Sword means Sword Energy Inc.

Tax Act means the *Income Tax Act* (Canada), R.S.C. 1985, c-1 (5th Supp.), as amended, including the regulations promulgated thereunder.

Term Out Date has the meaning set out in “*Description of Share Capital – Credit Agreement*”.

TSX means the Toronto Stock Exchange.

U.S. or United States means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

UNFCCC means the United Nations Framework Convention on Climate Change.

Updated Action Plan means an update to the Action Plan, "Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions".

Virginia means Virginia Hills Oil Corp.

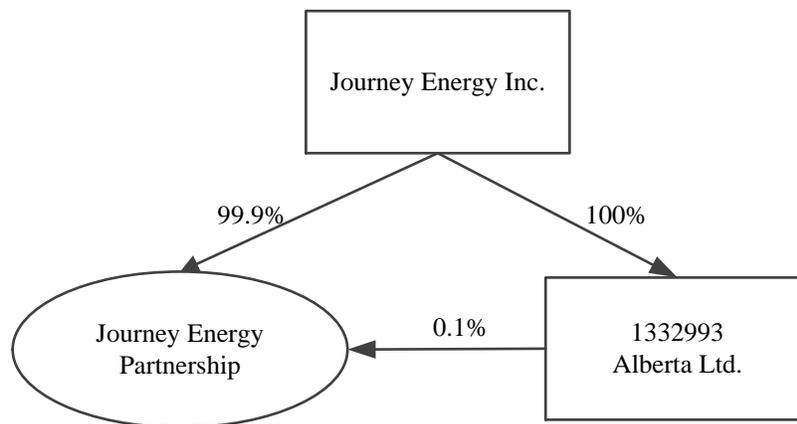
CORPORATE STRUCTURE

The Company was formed on June 26, 2007 under the ABCA as “Sword Energy Inc.”. On July 1, 2012, Sword amalgamated with Capex Exploration Ltd. and 1685263 Alberta Ltd. and then the resulting corporation amalgamated with 1317139 Alberta Ltd. under the ABCA on the same day. The resulting entity amended its articles to change its name from Sword Energy Inc. to “Journey Energy Inc.”

On May 7, 2014, Journey amended its articles to consolidate its Common Shares on a two for one basis. On June 6, 2014, the Company amended its articles to create the Restricted Voting Shares. See “*Description of Share Capital – Restricted Voting Shares*”.

Journey’s head office is located at Suite 700, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8 and its registered office is located at Suite 4300, Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5.

The Company has two wholly-owned subsidiaries: Journey Energy Partnership, a general partnership formed under the laws of the Province of Alberta, and 1332993 Alberta Ltd., a corporation formed under the laws of the Province of Alberta.



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary description of Journey’s business.

Recent Developments

On February 2, 2018 Journey closed on the purchase of 12,700,000 Common Shares from MIE for a purchase price of \$1.68 per share. After the purchase, the shares will be returned to treasury and cancelled. The aggregate purchase price of \$21.3 million was financed with a \$22 million term debt loan from AIMCo. The AIMCo debt will bear interest at the rate of 7.65% per annum with semi-annual interest payments and will mature on September 30, 2022.

On January 31, 2018 Journey closed a \$22,000,000 promissory note financing with AIMCo. The purpose of the financing was to provide the funds needed to purchase the Journey shares from MIE. The Promissory Notes (2018) bear interest at the rate of 7.65% per annum with interest payable semi-annually. The Promissory Notes (2018) mature on September 30, 2022. In conjunction with the financing, AIMCo also received 2,310,000 warrants with an exercise price of \$2.51 per warrant. Each warrant is exercisable into one Common Share and expire on June 1, 2020.

As a consequence of the lenders consent to the share buyback on February 2, 2018 and the issuance of the Promissory Notes (2018); the Credit Facility was amended on February 1, 2018 to include a requirement to obtain unanimous consent of the syndicate to borrow any amount in excess of \$100 million under the facilities until the currently ongoing annual borrowing base review is complete.

Three Year History

2017

Persistently low commodity prices were the theme for 2017 with WTI oil prices averaging US\$50.95 and AECO natural gas prices averaged \$2.20/mcf for the year. Journey's goal for 2017 was to protect its balance sheet and be prudent about its capital spending. On March 3, 2017, AIMCo exercised all of its 4,950,000 share purchase warrants for gross proceeds of \$13.6 million, with 4,950,000 Common Shares issued on this date. The proceeds of the warrant exercise were used to repay outstanding bank indebtedness. The uncertainty over commodity prices created an acquisition opportunity for Journey in the first quarter. On March 20, 2017, Journey entered into a purchase agreement with a private company to acquire interests in central Alberta with a focus on upstream and midstream assets in the greater Gilby area for an aggregate purchase price of \$35.6 million subject to closing adjustment. The purchase price was paid with \$29.6 million in cash and \$6.0 million in Journey Common Shares priced at \$2.89 per share. The acquisition added approximately 2,000 BOE/d (28% light oil and natural gas liquids); 9.5 MMBOE of proved reserves and 14.4 MMBOE of proved plus probable reserves. Journey averaged 9,962 boe/d for 2017 and spent \$65.6 million in capital (net of dispositions). Journey drilled 12 (11.5 net) wells during the year with an 83% success rate. Proved plus probable finding, development and acquisition costs for the year were \$6.68 per boe and total reserves were 60.2 mmmboe (2016 – 47.8 mmmboe).

On June 14, 2017, Journey announced that it received approval from the TSX to undertake a proposed normal course issuer bid to purchase up to 2,522,292 Common Shares, representing approximately 10% of the issued and outstanding Common Shares of the Company. The period of the bid extends from June 19, 2017 to June 18, 2018.

2016

The oil price drop that started in 2015 persisted into 2016 with prices bottoming in February 2016. Oil prices slowly rose throughout the year until the OPEC production agreement in November caused price increases to accelerate late in 2016 and into 2017. Gas prices followed a similar pattern with realized gas prices hitting a low of \$0.98/mcf in April and then rebounding to \$3.31 per mcf in December. Journey's bank credit line was reduced from \$140 million at the beginning of the year to \$90 million in the fall. Capital spending was reduced from an initial planned level of \$40 million at the beginning of the year, to a minimal spending budget of \$16 million. Net asset dispositions were \$9.3 million with the focus being on selling high operating cost properties and acquiring strategic infrastructure to reduce remaining operating costs. The excess cash was used to pay down corporate bank borrowings. The Company divested itself from Gas Lite Energy Inc. in August, which allowed the Company to increase its LMR and mitigated any possibility of bad debts associated with its joint venture relationship. On October 6, 2016, Journey entered into a strategic financing relationship with AIMCo wherein the Promissory Notes (2016) were issued. As part of this financing, 4.95 million share purchase warrants were issued at a 40% premium to Journey's market price or \$2.75 per warrant. The theme for the year was the implementation of cost cutting measures and what started in 2015 continued into 2016. Staff layoffs continued and the head count went from 75.1 full time equivalents in both the field and head office at the beginning of the year to 63.6 by the end of the year. Despite the challenges in the year and the limited capital spending, the Company was able to realize excellent finding and development costs. Proved plus probable finding, development and acquisition costs were reduced to a negative \$2.75/boe from a positive \$5.13/boe in 2015, including changes in future development capital. The negative number in 2016 was the result of a combination of: significant reserve additions; lower projected future development costs; and the future development capital transferred, associated with properties disposed of in the year. The final proved plus probable reserves for the year were slightly lower at 47.8 mmmboe (2015 – 49.8 mmmboe) despite the net sale of producing assets and producing 3.2 mmmboe during the year.

2015

With all three commodity (oil, natural gas and natural gas liquids) prices dropping throughout the year, the Company had to react quickly to preserve its financial strength. Capital spending was reduced from an initial planned level of \$90 million at the beginning of the year, to \$60 million in January, and then reduced again to \$50 million by mid-year. Dividends were reduced from \$0.06/share/month in 2014 to \$0.025/share/month in January; \$0.02/share/month in August and then suspended in their entirety in December (effective for the last quarter of the

year). Even with the reduced capital program, Journey was able to effectively maintain average production levels in 2015 at 10,309 boe/d (10,346 boe/d in 2014). Helping to mitigate the pressures on the industry were cost reductions in both the head office and the field. In the head office, Journey reduced its full-time equivalent employee count by 28% from the beginning of the year. Proved plus probable finding and development costs were reduced to \$3.69/boe (\$14.28/boe in 2014) including changes in future development capital. Field cost reductions and efficient deployment of a reduced capital program assisted greatly in keeping reserves flat at the end of 2015 compared to 2014 all the while producing 3.8 MMboe in the year.

DESCRIPTION OF THE BUSINESS

Journey is a Canadian exploration and production company focused on conventional, oil and natural gas operations in western Canada. Journey is a growth oriented company focused on drilling on its existing core lands, implementing water flood projects, executing on accretive acquisitions and growing its production base. Management is focused on providing these returns by diligently managing its capital and by being disciplined in exploiting its extensive asset base. The Company's Common Shares trade on the TSX under the symbol "JOY".

Since July 2012, Journey has grown its production from approximately 4,000 boe/d to approximately 10,000 boe/d by the end of 2017. This growth has been achieved through a combination of successful drilling and strategic acquisitions. Management believes that Journey's existing asset base provides a robust inventory of organic drilling opportunities which will support the Company's growth business model.

Journey's goals are to optimize its legacy oil pools on existing lands through the application of best practices in horizontal drilling and, where feasible, with water floods. Journey also intends to continue to grow the Company through strategic and accretive acquisitions to add drilling inventory and to manage production declines. Journey's long-term corporate strategy is to provide investors with a meaningful total return profile through a combination of growth plus sustainable yield.

Journey's Properties

Journey operates in central and southern Alberta along a prolific resource fairway. Journey has a high working interest (approximately 85%) in its core properties, controls core area processing facilities, infrastructure egress and operatorship of its key oil pools, which pools have low current recovery factors. Journey estimates that there are over 300 oil pools along the fairway with drilling costs between approximately \$1.5 to \$3 million per well (including drilling, well completion, associated equipment and connecting to infrastructure costs). See "*Statement of Reserves Data – Disclosure of Reserves Data – Other Oil and Natural Gas Information – Principal Oil and Natural Gas Properties*".

Specialized Skill and Knowledge

Journey employs individuals with various professional skills in the course of pursuing its business plan. In addition, Journey has available to it various specialized consultants to assist it in areas where it does not need full time employees. These professional skills include, but are not limited to, geology, geophysics, engineering, finance and business development. Drawing on significant experience in the oil and natural gas business, Journey believes its management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company, including: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; and an entrepreneurial spirit that allows Journey to effectively identify, evaluate and execute on value added initiatives.

Competitive Conditions

The oil and natural gas industry is very competitive, and the Canadian Association of Petroleum Producers estimates that there are over 1,000 exploration and production companies in Canada. Journey believes that it has a strong competitive position in the areas in which it operates. See "*Statement of Reserves Data – Disclosure of Reserves Data – Other Oil and Natural Gas Information – Principal Oil and Natural Gas Properties*". Journey's business strategy is to acquire and then develop legacy oil pools containing greater than 10 MMbbls each in central and

southern Alberta. Journey then applies current horizontal drilling and water flood technology to these pools with the objective of growing production from these pools in order to exploit significant operating efficiencies in each core area.

Companies operating in the petroleum industry must manage risks which are beyond the direct control of company personnel. Among these risks are those associated with exploration, environmental damage, commodity prices, foreign exchange rates and interest rates.

The oil and natural gas industry is intensely competitive and Journey is required to compete with a substantial number of other entities which may have greater technical or financial resources. With the maturing nature of the Western Canadian Sedimentary Basin, the access to new prospects is becoming more and more competitive and complex.

Journey attempts to enhance its competitive position by operating in areas where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because they are familiar with the areas of operation. Management believes that Journey will be able to explore for and develop new production and reserves with the objective of increasing its cash flow and reserve base. See “*Risk Factors – Competition*”.

Cycles

The Company’s business is often driven by weather conditions and the health of the economy. Demand for oil and gas rises and falls with the strength of the economy as well as with the cold in the winters and the heat in the summers. This occurs both on a continental as well as a global level. A strong economy creates higher prices, which in turn produces more capital that the Company can expend on its capital program. A weak economy has the opposite effect. Cold winters and hot summers produce extra demand for natural gas on a continental basis, which in turn increases natural gas prices. In addition, the exploration for and the development of oil and natural gas reserves is dependent on access to areas where drilling is to be conducted. Seasonal weather variation, including “freeze-up” and “break-up”, affect access in certain circumstances. See “*Risk Factors – Seasonality*”.

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Company. For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of Journey, see “*Risk Factors – Environmental*”.

Employees

As at December 31, 2017, Journey had 45 full-time employees located at its head office in Calgary and 10 full-time employees located in the field. In addition, Journey had 1 full-time and 4 part-time contractors in the Calgary head office and 21 full time contract operators in various field locations.

Environmental, Health and Safety Policies

The Company supports and promotes environmental protection and employee health and safety through the implementation and communication of the Company’s environmental management and employee occupational health and safety programs, policies and procedures. These programs, policies and procedures are designed to allow for employee participation and development for continuous improvement and to provide employees with job orientation, training, instruction and supervision to assist them in conducting their activities in an environmentally responsible and safe manner.

The Company develops emergency response teams and preparedness plans in conjunction with local authorities, emergency services and the communities in which it operates in order to effectively respond to an environmental incident should it arise. Environmental assessments are undertaken for new projects or when acquiring new properties or facilities in order to identify, assess and minimize environmental risks and operational exposures. The Company conducts audits of operations to confirm compliance with internal standards and to stimulate improvement in practices where needed.

The Company also faces environmental, health and safety risks in the normal course of its operations due to the handling and storage of hazardous substances. The Company's environmental and occupational health and safety management systems are designed to manage such risks in the Company's business and allow action to be taken to mitigate the extent of any environmental, health or safety impacts from such operations.

INDUSTRY CONDITIONS

Companies operating in the oil and natural gas industry are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government with respect to the pricing and taxation of oil and natural gas, including the governments of Canada and Alberta, all of which investors in the oil and gas industry should carefully consider. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments governments may enact in the future. The following comprises some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in western Canada.

Pricing and Marketing

Oil

In Canada, producers of oil are entitled to negotiate sales contracts directly with oil purchasers, which results in the market determining the price of oil. Worldwide supply and demand factors primarily determine oil prices; however, regional market and transportation issues also influence prices. The specific price depends in part on oil quality, prices of competing fuels, distance to market, availability of transportation, value of refined products, the supply/demand balance and contractual terms of sale. Oil exporters are also entitled to enter into export contracts, provided that an order approving such export with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil has been obtained from the NEB. Any oil export of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB. The NEB underwent a consultation process to update the regulations governing the issuance of export licences. The updating process was necessary to meet the criteria set out in the Prosperity Act, which received Royal Assent on June 29, 2012. The Regulations Amending the National Energy Board Act Part VI (Oil and Gas) Regulations came into effect on July 31, 2015 and provide the requirements for obtaining long-term licences.

Natural Gas

Canada's natural gas market has been deregulated since 1985. Supply and demand determine the price of natural gas and price is calculated at the sale point, being the wellhead, the outlet of a gas processing plant, on a gas transmission system, at a storage facility, at the inlet to a utility system or at the point of receipt by the consumer. Accordingly, the price for natural gas is dependent upon such producer's own arrangements (whether long or short term contracts and the specific point of sale). As natural gas is also traded on trading platforms such as the Natural Gas Exchange, Intercontinental Exchange or the New York Mercantile Exchange in the United States, spot and future prices can also be influenced by supply and demand fundamentals on these platforms. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years, or for a term of two to 20 years (in quantities of not more than 30,000 m3 per day), must be made pursuant to an NEB order. Exporters are required to obtain an export license from the NEB for natural gas export contracts of a longer duration (to a maximum of 40 years), or that deal with terms of greater than two years and quantities of natural gas greater than 30,000 m3 per day.

The North American Free Trade Agreement

NAFTA, among the governments of Canada, the United States and Mexico, came into force on January 1, 1994. Under the terms of NAFTA, Canada remains free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of goods of Canada as compared to the proportion prevailing in the most recent 36 month period; (ii) impose an export price higher than the domestic price (subject to an exception with respect to certain measures which only restrict the volume of exports); and (iii) disrupt normal channels of supply. Further, all three signatory countries are prohibited from imposing a minimum or maximum price requirement on exports (where any other form of quantitative restriction is prohibited) and imports (except as permitted in the enforcement of countervailing and anti-dumping orders and undertakings). NAFTA also requires energy regulators to ensure the orderly and equitable implementation of any regulatory changes and to ensure that the application of such changes will cause minimal disruption to contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements.

In 2017, the United States government announced its intention to renegotiate NAFTA. As a result, Canada, the United States and Mexico began renegotiating the terms of NAFTA in mid-2017. The United States has also suggested that it might give notice of the termination of NAFTA if it is not satisfied with the outcome of the renegotiations. If the United States does give notice of its intent to terminate or withdraw from NAFTA, the earliest such termination or withdrawal could occur would be six months after such notice is given. The renegotiations are still underway and the outcome of such negotiations remain unclear, but as the United States remains by far Canada's largest trade partner and the largest international market for the export of crude oil, natural gas and NGLs from Canada, any changes to, or termination of, NAFTA could have an impact on Western Canada's crude oil and natural gas industry at large, including the Company's business. Canada has also pursued a number of other international free trade agreements with other countries around the world. As a result, a number of free trade or similar agreements are in force between Canada and certain other countries while in other circumstances Canada has been unsuccessful in its efforts. Canada and the European Union recently agreed CETA, which provides for duty-free, quota-free market access for Canadian oil and gas products to the European Union. Although CETA remains subject to ratification by certain national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In addition, Canada and ten other countries recently concluded discussions and agreed on the draft text of the CPTPP, which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The text of CPTPP has not been finalized or published and the agreement remains subject to ratification by the governments of each of the countries involved. While it is uncertain what effect CETA, CPTPP or any other trade agreements will have on the oil and gas industry in Canada, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Canadian oil and gas producers to benefit from such trade agreements.

Transportation Constraints and Market Access

Producers negotiate with pipeline operators (or other transport providers) to transport their products, which may be done on a firm or interruptible basis. Due to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in western Canada have experienced low pricing relative to other markets in the last several years. Transportation availability is highly variable across different areas and regions, which can determine the nature of transportation commitments available, the numbers of potential customers that can be reached in a cost effective manner and the price received.

Developing a strong network of transportation infrastructure for crude oil, natural gas and NGLs, including by means of pipelines, rail, marine and trucks, in order to obtain better access to domestic and international markets has been a significant challenge to the Canadian crude oil and natural gas industry. Improved means of access to global markets, especially the Midwest United States and export shipping terminals on the west coast of Canada, would help to alleviate the pressures of pricing discussed. Several proposals have been announced to increase pipeline capacity out of western Canada, to reach eastern Canada, the United States and international markets via export shipping terminals on the west coast of Canada. While certain projects are proceeding, the regulatory approval process as well as economic and political factors for transportation and other export infrastructure has led to the delay of many pipeline projects or their cancellation altogether.

Under the Canadian constitution, interprovincial and international pipelines fall within the federal government's jurisdiction and require approval by both the NEB and the cabinet of the federal government. However, recent years have seen a perceived lack of policy and regulatory certainty at the federal level. Although the current federal government recently introduced draft legislation to amend the current federal approval processes, it is uncertain when the new legislation will be brought into force and whether any changes to the draft legislation will be made before the legislation is brought into force. It is also uncertain whether any new approval process adopted by the federal government will result in a more efficient approval process. The lack of regulatory certainty is likely to have an influence on investment decisions for major projects. Even when projects are approved on a federal level, such projects often face further delays due to interference by provincial and municipal governments as well as court challenges on various issues such as indigenous title, the government's duty to consult and accommodate indigenous peoples and the sufficiency of environmental review processes, which creates further uncertainty. Export pipelines from Canada to the United States face additional uncertainty as such pipelines require approvals of several levels of government in the United States.

Natural gas prices in Alberta and British Columbia have also been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. While companies that secure firm access to transport their natural gas production out of western Canada may be able to access more markets and obtain better pricing, other companies may be forced to accept spot pricing in western Canada for their natural gas, which in the last several years has generally been depressed (at times producers have received negative pricing for their natural gas production). Required repairs or upgrades to existing pipeline systems have also led to further reduced capacity and apportionment of firm access, which in western Canada may be further exacerbated by natural gas storage limitations. Additionally, while a number of liquefied natural gas export plants have been proposed for the west coast of Canada, government decision-making, regulatory uncertainty, opposition from environmental and indigenous groups, and changing market conditions, have resulted in the cancellation or delay of many of these projects.

Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations that govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of oil sands projects, crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands where the Crown does not hold the mineral rights are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are carved out of the working interest owner's interest, from time to time, through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

The Canadian federal government has signaled that it will inter alia phase out subsidies for the oil and gas industry, which include only allowing the use of the Canadian Exploration Expenses tax deduction in cases of successful exploration, implementing stringent reviews for pipelines and establishing a pan-Canadian framework for combating climate change. These changes could affect earnings of companies operating in the oil and natural gas industry.

Alberta

In Alberta, the Crown owns approximately 81% of the province's mineral rights. The remaining 19% are 'freehold' mineral rights owned by the federal government on behalf of First Nations or in National Parks, and by individuals and companies. Provincial government royalty rates apply to Crown-owned mineral rights. On January 29, 2016,

the Government of Alberta released and accepted the Royalty Review Advisory Panel's recommendations, which outlined the implementation of the MRF. The MRF formally took effect on January 1, 2017 for wells drilled after this date. Wells drilled prior to January 1, 2017 will continue to be governed by the "New Royalty Framework", implemented by the Alberta Royalty Framework, for a period of 10 years until January 1, 2027. The MRF is structured in three phases: (i) pre-payout; (ii) mid-life; and (iii) mature. During the pre-payout phase, a fixed 5% royalty will apply until the well reaches payout. Well payout occurs when the cumulative revenue from a well is equal to the "Drilling and Completion Cost Allowance" (determined by a formula that approximates drilling and completion costs for wells based on total depth, length and proppant placed). The new royalty rate for pre-payout under the MRF will be payable on gross revenue generated from all production streams (oil, gas, and natural gas liquids), eliminating the need to label a well as "oil" or "gas". Post-payout, the mid-life phase will apply a higher royalty rate than the pre-payout phase. Depending on the commodity price of the substance the well is producing, the royalty rate could range from 5% to 40%. The metrics for calculating the mid-life phase royalty are based on commodity prices and are intended, on average, to yield the same internal rate of return as under the Alberta Royalty Framework. In the mature phase of the MRF, once a well reaches the tail end of its cycle and production falls below a maturity threshold, currently the equivalent of 194 m³ (40 barrels of oil equivalent per day or 345,500 m³ of gas per month), the royalty rate will move to a sliding scale (based on volume and price) with a minimum royalty rate of 5%. The downward adjustment of the royalty rate in the mature phase is intended to account for the higher per-unit fixed cost involved in operating an older well.

On July 11, 2016, the Government of Alberta released details of the Enhanced Hydrocarbon Recovery Program and the Emerging Resources Program. These programs, that came into effect on January 1, 2017, are a part of the MRF and account for the higher costs associated with enhanced recovery methods and with developing emerging resources in an effort to make difficult investments economically viable and to increase royalties. Certain eligibility criteria must be satisfied in order for a proposed project to fall under each program. Enhanced recovery scheme applications can be submitted to the AER.

Oil sands projects are also subject to Alberta's royalty regime. The MRF does not change the oil sands royalty framework, however, the Government of Alberta plans to increase transparency in the method and figures by which the royalties are calculated. Prior to payout of an oil sands project, the royalty is payable on gross revenues of an oil sands project. Gross revenue royalty rates range between 1% and 9% depending on the market price of oil, determined using the average monthly price, expressed in Canadian dollars, for WTI crude oil at Cushing, Oklahoma. Rates are 1% when the market price of oil is less than or equal to \$55 per barrel and increase for every dollar of market price of oil increase to a maximum of 9% when oil is priced at \$120 or higher. After payout, the royalty payable is the greater of the gross revenue royalty based on the gross revenue royalty rate of between 1% and 9% and the net revenue royalty based on the net revenue royalty rate. Net revenue royalty rates start at 25% and increase for every dollar of market price of oil increase above \$55, up to 40% when oil is priced at \$120 or higher.

Currently, producers of oil and natural gas from Crown lands in Alberta are required to pay annual rental payments, at a rate of \$3.50 per hectare, and make monthly royalty payments in respect of oil and natural gas produced.

Royalties, for wells drilled prior to January 1, 2017 are paid pursuant to the Alberta Royalty Framework until January 1, 2027. Royalty rates for conventional oil are set by a single sliding scale formula, which is applied monthly and incorporates separate variables to account for production rates and market prices. The maximum royalty payable under the royalty regime is 40%. Royalty rates for natural gas under the royalty regime depend on the price of each of the components of the gas stream, the productivity of the well, its acid gas factor and the depth of the producing zone. These factors are employed on a sliding scale formula to determine the natural gas royalty rate per well with the maximum royalty payable under the royalty regime set at 36% and a minimum royalty rate of 5%.

Producers of oil and natural gas from freehold lands in Alberta are required to pay freehold mineral tax. The freehold mineral tax is a tax levied by the Government of Alberta on the value of oil and natural gas production from lands where the Crown does not hold the rights to mines and minerals and is derived from the *Freehold Mineral Rights Tax Act* (Alberta). The freehold mineral tax is levied on an annual basis on calendar year production using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. The basic formula for the assessment of freehold mineral tax is: revenue less allocable costs equals net revenue divided by wellhead

production equals the value based upon unit of production. If payors do not wish to file individual unit values, a default price is supplied by the Crown. On average, the tax levied is 4% of revenues reported from freehold mineral title properties.

The Government of Alberta has from time to time implemented drilling credits, incentives or transitional royalty programs to encourage oil and gas development and new drilling. For example, the Innovative Energy Technologies Program has the stated objectives of increasing recovery from oil and gas deposits, finding technical solutions to the gas over bitumen issue, improving the recovery of bitumen by in-situ and mining techniques and improving the recovery of natural gas from coal seams. The program provides royalty adjustments to specific pilot and demonstration projects that utilize new or innovative technologies to increase recovery from existing reserves.

In addition, the Government of Alberta has implemented certain initiatives intended to accelerate technological development and facilitate the development of unconventional resources. These initiatives apply to wells drilled before January 1, 2017, for a ten-year period, until January 1, 2027. Specifically:

- Coalbed methane wells will receive a maximum royalty rate of 5% for 36 producing months up to 750 MMcf of production, retroactive to wells that began producing on or after May 1, 2010;
- Shale gas wells will receive a maximum royalty rate of 5% for 36 producing months with no limitation on production volume, retroactive to wells that began producing on or after May 1, 2010;
- Horizontal gas wells will receive a maximum royalty rate of 5% for 18 producing months up to 500 MMcf of production, retroactive to wells that commenced drilling on or after May 1, 2010; and
- Horizontal oil wells and horizontal non-project oil sands wells will receive a maximum royalty rate of 5% with volume and production month limits set according to the depth of the well (including the horizontal distance), retroactive to wells that commenced drilling on or after May 1, 2010.

Land Tenure

The respective provincial governments (i.e. the Crown), predominantly own the mineral rights to crude oil and natural gas located in western Canada, with the exception of Manitoba (which only owns 20% of the mineral rights). Provincial governments grant rights to explore for and produce crude oil and natural gas pursuant to leases, licences and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. The provincial governments in western Canada's provinces conduct regular land sales where crude oil and natural gas companies bid for leases to explore for and produce crude oil and natural gas pursuant to mineral rights owned by the respective provincial governments. The leases generally have a fixed term; however, a lease may generally be continued after the initial term where certain minimum thresholds of production have been reached, all lease rental payments have been paid on time and other conditions are satisfied. To develop crude oil and natural gas resources, it is necessary for the mineral estate owner to have access to the surface lands as well. Each province has developed its own process for obtaining surface access to conduct operations that operators must follow throughout the lifespan of a well, including notification requirements and providing compensation for affected persons for lost land use and surface damage. Alberta has implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or licence. Additionally, Alberta has shallow rights reversion for shallow, non-productive geological formations for new leases and licences. In addition to Crown ownership of the rights to crude oil and natural gas, private ownership of crude oil and natural gas (i.e. freehold mineral lands) also exists in the province of Alberta. According to Alberta Energy, approximately 19% of mineral rights in the Province of Alberta are owned by private freehold owners and other non-Crown entities. Rights to explore for and produce such crude oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and crude oil and natural gas explorers and producers. An additional category of mineral rights ownership includes ownership by the Canadian federal government of some legacy mineral lands and within indigenous reservations designated under the *Indian Act* (Canada). Indian Oil and Gas Canada, which is a federal government agency, manages subsurface and surface leases, in consultation with the applicable indigenous peoples, for exploration and production of crude oil and natural gas on indigenous reservations.

Production and Operation Regulations

The oil and natural gas industry in Canada is highly regulated and subject to significant control by provincial regulators. Regulatory approval is required for, among other things, the drilling of oil and natural gas wells, construction and operation of facilities, the storage, injection and disposal of substances and the abandonment and reclamation of well sites. In order to conduct oil and gas operations and remain in good standing with the applicable provincial regulator, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance with such legislation, regulations, orders, directives or other directions can be costly and a breach of the same may result in fines or other sanctions.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability and the imposition of material fines and penalties. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions, may impose further requirements on operators and other companies in the oil and natural gas industry.

Federal

Canadian environmental regulation is the responsibility of the federal government and provincial governments. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law will prevail, however, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport. The *Canadian Environmental Protection Act* and the *Canadian Environmental Assessment Act* provide the foundation for the federal government to protect the environment and cooperate with provinces to do the same.

Pursuant to the Prosperity Act, the Government of Canada amended or repealed several pieces of federal environmental legislation and, in addition, created a new federal environmental assessment regime that came into force on July 6, 2012. The changes to the environmental legislation under the Prosperity Act are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

On June 20, 2016, the Federal Government launched a review of current environmental and regulatory processes with a focus on rebuilding trust in the environmental assessment processes, modernizing the NEB, and introducing modernized safeguards to both the *Fisheries Act* and the *Navigation Protection Act*. An Expert Panel was convened and the Panel delivered a report—"Building Common Ground: A New vision for Impact Assessment in Canada"—in April 2017. The Panel has recommended fundamental changes to the system of environmental assessments in Canada.

On February 8, 2018, the Federal Government introduced Bill C-69 that, if passed, will bring an end to the NEB and see it replaced by a new federal Canadian Energy Regulator to be located in Calgary. Additionally, the Canadian Environmental Assessment Agency will become the Impact Assessment Agency of Canada and will lead all federal reviews of major federal energy infrastructure projects. By introducing the *Canadian Energy Regulator Act* and the *Impact Assessment Act* and repealing the *National Energy Board Act* and the *Canadian Environmental Assessment Act*, Bill C-69 also addresses consequential amendments across other federal legislation. Bill C-69 proposes changes to the regulatory landscape for federal energy infrastructure that are intended to bring about enhanced certainty for

project proponents, the Canadian public and the Indigenous peoples of Canada. However, if passed, it will take time for the certainty it is aiming to bring to occur.

On May 12, 2017, the Government of Canada introduced Bill C-8, the *Oil Tanker Moratorium Act*, to formalize a moratorium for crude oil tankers on British Columbia's north coast. It is unclear how the proposed moratorium may affect ongoing LNG export projects currently under consideration and development. On November 29, 2016, the Government of Canada also approved, subject to a number of conditions, the Trans Mountain Pipeline system expansion backed by Kinder Morgan Canada as well as the replacement of Enbridge Inc.'s plan to replace its Line 3 pipeline system, while also rejecting Enbridge Inc.'s proposed Northern Gateway project. On January 11, 2017, the Government of British Columbia confirmed that the conditions to the approval of the Trans Mountain Pipeline had been satisfied. Additionally, the new administration in the United States has indicated a willingness to revisit other pipeline projects that had been previously rejected.

Alberta

The AER is the single regulator responsible for all energy development in Alberta. The AER ensures the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure. The objective behind a single regulator is an enhanced regulatory regime that is efficient, attractive to business and investors, and effective in supporting public safety, environmental management and resource conservation while respecting the rights of landowners.

The Government of Alberta relies on regional planning to accomplish its responsible resource development goals. The following frameworks, plans and policies form the basis of Alberta's Integrated Resource Management System. The system's method to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities, by incorporating the management of all resources, including energy, minerals, land, air, water and biodiversity. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the Policy Management Office, the Aboriginal Consultation Office and the Land Use Secretariat.

In December 2008, the Government of Alberta released a new land use policy for surface land in Alberta, the ALUF. The ALUF sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

Proclaimed into force in Alberta on October 1, 2009, the ALSA provides the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established under the ALSA are deemed to be legislative instruments equivalent to regulations and will be binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits, licences, registrations, approvals and authorizations for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land; and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment.

On August 22, 2012, the Government of Alberta approved the LARP, which came into force on September 1, 2012. The LARP is the first of seven regional plans developed under the ALUF. LARP covers a region in the northeastern

corner of Alberta that is approximately 93,212 square kilometers in size. The region includes a substantial portion of the Athabasca oil sands area, which contains approximately 82% of the province's oil sands resources and much of the Cold Lake oil sands area.

LARP establishes six new conservation areas and nine new provincial recreation areas. In conservation and provincial recreation areas, conventional oil and gas companies with pre-existing tenure may continue to operate. Any new petroleum and gas tenure issued in conservation and provincial recreation areas will include a restriction that prohibits surface access. In contrast, oil sands companies' tenure has been (or will be) cancelled in conservation areas and no new oil sands tenure will be issued. While new oil sands tenure will be issued in provincial recreation areas, new and existing oil sands tenure will prohibit surface access.

In July 2014, the Government of Alberta approved the SSRP which came into force on September 1, 2014. The SSRP is the second regional plan developed under the ALUF. The SSRP covers approximately 83,764 square kilometers and includes 44% of the provincial population.

The SSRP creates four new and four expanded conservation areas, and two new and six expanded provincial parks and recreational areas. Similar to LARP, the SSRP will honour existing petroleum and natural gas tenure in conservation and provincial recreational areas. However, any new petroleum and natural gas tenures sold in conservation areas, provincial parks, and recreational areas will prohibit surface access. However, oil and gas companies must minimize impacts of activities on the natural landscape, historic resources, wildlife, fish and vegetation when exploring, developing and extracting the resources. Freehold mineral rights will not be subject to this restriction.

Phase 1 Consultation of the North Saskatchewan Region Plan has been completed and the Regional Advisory Council is currently preparing its Recommendation to Government report. The plan is located in central Alberta and is approximately 85,780 square kilometers in size and affects activities in central Alberta, and encompasses an area between the province's borders with British Columbia and Saskatchewan. The Upper Peace Region Plan, Lower Peace Region Plan, Red Deer Region Plan and Upper Athabasca Region Plan have not been started.

Liability Management Rating Programs

Alberta

In Alberta, the AER administers the AB LLR Program. The AB LLR Program is a liability management program governing most conventional upstream oil and gas wells, facilities and pipelines. Alberta's OGCA establishes an orphan fund (the "**Orphan Fund**") to pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program if a licensee or working interest participant becomes defunct or is unable to meet its obligations. The Orphan Fund is funded by licensees in the AB LLR Program through a levy administered by the AER. The AB LLR Program is designed to minimize the risk to the Orphan Fund posed by unfunded liability of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. The AB LLR Program requires a licensee whose deemed liabilities exceed its deemed assets to provide the AER with a security deposit. The ratio of deemed liabilities to deemed assets is assessed once each month and failure to post the required security deposit may result in the initiation of enforcement action by the AER. The AER publishes the liability management rating for each licensee on a monthly basis.

Made effective in three phases, from May 1, 2013 to August 1, 2015, the AER implemented important changes to the AB LLR Program (the "**Changes**") that resulted in a significant increase in the number of oil and gas companies in Alberta that are required to post security. The Changes affect the deemed parameters and costs used in the formula that calculates the ratio of deemed liabilities to deemed assets under the AB LLR Program, increasing a licensee's deemed liabilities and rendering the industry average netback factor more sensitive to asset value fluctuations. The Changes stem from concern that the previous regime significantly underestimated the environmental liabilities of licensees.

On June 20, 2016, the AER issued Bulletin 16 in an urgent response to a decision from the Alberta Court of Queen's Bench, which is currently awaiting a decision on appeal to the Supreme Court of Canada. In Redwater, the Alberta Court of Queen's Bench found that there was an operational conflict between the abandonment and reclamation provisions of the OGCA and the *Bankruptcy and Insolvency Act*, and that receivers and trustees have the right to renounce assets within insolvency proceedings. Such a conflict renders the AER's legislated authority unenforceable to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is insolvent. As a result, abandonment costs will be borne by the industry-funded Orphan Well Fund or the province in these instances because any resources of the insolvent licensee will first be used to satisfy secured creditors under the BIA. Bulletin 16 provides interim rules to govern while the case is appealed and while the Government of Alberta can develop appropriate regulatory measures to adequately address environmental liabilities, which interim rules include the following:

1. The AER will consider and process all applications for licence eligibility under Directive 067: Applying for Approval to Hold EUB Licences as non-routine and may exercise its discretion to refuse an application or impose terms and conditions on a licensee eligibility approval if appropriate in the circumstances.
2. For holders of existing but previously unused licence eligibility approvals, prior to approval of any application (including licence transfer applications), the AER may require evidence that there have been no material changes since approving the licence eligibility. This may include evidence that the holder continues to maintain adequate insurance and that the directors, officers and/or shareholders are substantially the same as when licence eligibility was originally granted.
3. As a condition of transferring existing AER licences, approvals, and permits, the AER will require all transferees to demonstrate that they have an LMR, being the ratio of a licensee's assets to liabilities, of 2.0 or higher immediately following the transfer.

In order to clarify and revise the interim rules in Bulletin 16, the AER issued Bulletin 21 on July 8, 2016 and reaffirmed its position that an LMR of 1.0 is not sufficient to ensure that licensees will be able to address their obligations throughout the life cycle of energy development, and 2.0 remains the requirement for transferees. However, Bulletin 21 did provide the AER with additional flexibility to permit licensees to acquire additional AER-licensed assets if:

1. The licensee already has an LMR of 2.0 or higher;
2. The acquisition will improve the licensee's LMR to 2.0 or higher; or
3. The licensee is able to satisfy its obligations, notwithstanding that an LMR below 2.0, by other means.

The AER provided no indication of what other means would be considered. The Alberta Court of Appeal heard the appeal of the Redwater decision on October 11, 2016, upholding the Alberta Court of Queen's Bench decision in *Orphan Well Association v Grant Thornton Limited, 2017 ABCA 124*. That decision has since been appealed to the Supreme Court of Canada, which has reserved its decision on the matter.

The AER implemented the IWCP to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under Directive 013. The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within 5 years. As of April 1, 2015, each licensee is required to bring 20% of its inactive wells into compliance every year, either by reactivating or by suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment. The list of current wells subject to the IWCP is available on the AER's Digital Data Submission system. The AER announced that from April 1, 2015 to April 1, 2016, the number of noncompliant wells subject to the IWCP fell from 25,792 to 17,470, with 76% of licensees operating in the province having met their annual quota.

Climate Change Regulation

Federal

Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulatory environment of the oil and natural gas industry in Canada. Such regulations, surveyed below, impose certain costs and risks on the industry.

On April 26, 2007, the Government of Canada released the Action Plan, which set forth a plan for regulations to address both GHGs and air pollution. The Updated Action Plan, released on March 10, 2008, outlines emissions intensity-based targets, for application to regulated sectors on a facility-specific basis, sector-wide basis or company-by-company basis. Although the intention was for draft regulations aimed at implementing the Updated Action Plan to become binding on January 1, 2010, the only regulations being implemented are in the transportation and electricity sectors.

As a signatory to the UNFCCC and a participant to the Copenhagen Accord (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it will seek a 17% reduction in GHG emissions from 2005 levels by 2020; however, the GHG emission reduction targets are not binding. In May 2015, Canada submitted its INDC to the UNFCCC. INDCs were communicated prior to the 2015 United Nations Climate Change Conference, held in Paris, France, which led to the Paris Agreement that came into force on November 4, 2016 (the "**Paris Agreement**"). Among other items, the Paris Agreement constitutes the actions and targets that individual countries will undertake to help keep global temperatures from rising more than 2° Celsius and to pursue efforts to limit below 1.5° Celsius. The Government of Canada ratified the Paris Agreement on December 12, 2016, and pursuant to the agreement, Canada's INDC became its NDC. As a result, the Government of Canada replaced its INDC of a 17% reduction target established in the Copenhagen Accord with an NDC of 30% reduction below 2005 levels by 2030.

On June 29, 2016, the North American Climate, Clean Energy and Environment Partnership was announced among Canada, Mexico and the United States, which announcement included an action plan for achieving a competitive, low carbon and sustainable North American economy. The plan includes setting targets for clean power generation, committing to implement the Paris Agreement, setting out specific commitments to address certain short-lived climate pollutants, and the promotion of clean and efficient transportation.

Additionally, on December 9, 2016, the Government of Canada formally announced the Pan-Canadian Framework on Clean Growth and Climate Change. As a result, the federal government will implement a Canada-wide carbon pricing scheme beginning in 2018. This may be implemented through either a cap and trade system or a carbon tax regime at the option of each province or territory. The federal government will impose a price on carbon of \$10 per tonne on any province or territory which fails to implement its own system by 2018. This amount will increase by \$10 annually until it reaches \$50 per tonne in 2022 at which time the program will be reviewed.

In general, there is some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as it is currently not possible to predict the extent of future requirements. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Company's operations and cash flow.

Alberta

As part of its efforts to reduce GHG emissions, Alberta introduced legislation to address GHG emissions: the *Climate Change and Emissions Management Act* enacted on December 4, 2003 and amended through the *Climate Change and Emissions Management Amendment Act*, which received royal assent on November 4, 2008. The accompanying regulations include the SGER, which imposes GHG limits, and the *Specified Gas Reporting Regulation*, which imposes GHG emissions reporting requirements. Alberta is the first jurisdiction in North America to impose regulations requiring large facilities in various sectors to reduce their GHG emissions. The SGER applies to facilities emitting more than 100,000 tonnes of GHG emissions in 2003 or any subsequent year ("**Regulated**

Emitters"), and requires reductions in GHG emissions intensity (e.g. the quantity of GHG emissions per unit of production) from emissions intensity baselines established in accordance with the SGER.

As of 2015, Regulated Emitters are required to reduce their emissions intensity by 2% from their baseline in the fourth year of commercial operation, 4% of their baseline in the fifth year, 6% of their baseline in the sixth year, 8% of their baseline in the seventh year, 10% of their baseline in the eighth year, and 12% of their baseline in the ninth or subsequent years. These reduction targets will increase, meaning that Regulated Emitters in their ninth or subsequent years of commercial operation must reduce their emissions intensity from their baseline by 15% in 2016 and 20% in 2017.

Alberta's SGER was replaced at the end of 2017 with the CCIR, in which sector specific output-based carbon allocations are used to ensure competitiveness, and further allows competitively impacted facilities which would otherwise not be subject to the SGER or CCIR to opt-in to the CCIR, in lieu of existing carbon levy obligations. The CCIR requires reductions in GHG emissions intensity (e.g. the quantity of GHG emissions per unit of production) from emissions intensity baselines established for a particular product or sector in accordance with the CCIR. Regulated Emitters are required to reduce their emissions intensity in accordance with established benchmarks under the CCIR, or assigned benchmarks for specific facilities. Compliance can be achieved through a combination of the following: (1) reducing emissions; (2) purchasing emissions offset credits from non-regulated emitters (generated through activities that result in emissions reductions in accordance with established protocols); (3) purchasing emissions performance credits from other regulated emitters that earned credits through the reduction of their emissions below the 100,000 tonne threshold; or (4) contributing to the Climate Change and Emissions Management Fund at a rate of \$30 per tonne of GHG emissions. As of January 1, 2018, emissions performance credits and emissions offsets are subject to limits on annual usage for compliance obligations and are subject to expiry periods of up to eight (8) years. Additionally, the Alberta government has set a target of reducing methane emissions from oil and gas operations by 45% by 2025, which will be achieved through new emission design standards for new facilities, a five-year voluntary methane reduction initiative and regulated mandatory standards starting in 2020.

On November 22, 2015, as a result of the Climate Advisory Panel's Climate Leadership report, the Government of Alberta announced its Climate Leadership Plan. On June 7, 2016, the CLIA was passed into law. The CLIA enacted the CLA introducing a carbon tax on all sources of GHG emissions, subject to certain exemptions. An initial economy-wide levy of \$20 per tonne was implemented on January 1, 2017, which increased to \$30 per tonne in January of 2018. All fuel consumption—including gasoline and natural gas—will be subject to the levy, with certain exemptions, and directors of a corporation may be held jointly and severally liable with a corporation when the corporation fails to remit an owed carbon levy. A 100 megatonne per year limit for GHG emissions was implemented for oil sands operations, which currently emit roughly 70 megatonnes per year. This cap exempts new upgrading and cogeneration facilities, which are allocated a separate 10 megatonne limit. Regulations accompanying the CLIA have not yet been released.

Alberta is also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed \$1.24 billion over 15 years to fund two large-scale carbon capture and storage projects that will begin commercializing the technology on the scale needed to be successful. On December 2, 2010, the Government of Alberta passed the *Carbon Capture and Storage Statutes Amendment Act*, which deemed the pore space underlying all land in Alberta to be, and to have always been the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

Accountability and Transparency

In 2015, the federal government's ESTMA came into effect, which imposed mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", including exploration, extraction and holding permits. All companies subject to ESTMA must report payments over \$100,000 made to any level of a Canadian or foreign government (including indigenous groups), including royalty payments, taxes (other than consumption taxes and personal income taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments.

RISK FACTORS

Following is a list of risks that the Company faces in its normal course of business. The risks and uncertainties set out below are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and cause the price of the Common Shares to decline. If any of the following risks actually occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Prices, Markets and Marketing

Numerous factors beyond Journey's control do, and will continue to affect the marketability and price of oil and natural gas acquired or discovered by it. Journey's ability to market its oil and natural gas may depend upon the ability to acquire space on pipelines that deliver natural gas to commercial markets. Deliverability uncertainties related to the distance of Journey's reserves to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the Company's control. These factors include economic conditions in the United States, Canada and Europe, the actions of OPEC, governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply of oil and natural gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets and the ability to access such markets. Oil prices are expected to remain volatile and may decline in the near future as a result of global excess supply due to the increased growth of shale production in the United States, the decline in global demand for exported crude commodities, and OPEC's recent decisions pertaining to the oil production of OPEC member countries, among other factors. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices. In addition, lower commodity prices caused the Company to spend minimal capital in 2016. The capital that was spent during the year was concentrated on strategic assets that contribute to the Company's cost-reduction strategies.

North American crude oil price differentials are expected to continue to be volatile in 2017. This will have an impact on crude oil prices for Canadian producers. Although opportunities to move oil by rail continue to grow and will provide new outlets for access to North American refineries otherwise not reachable via existing pipeline infrastructure, supply in excess of current pipeline and refining capacity is expected to continue to exist. Material structural changes are required to reduce these bottlenecks and the resulting steep price discounts. A variety of new pipeline expansion projects to provide increased access to eastern Canadian and Gulf Coast refineries, as well as new off-shore markets, have been announced and are in various stages of review and approval. There can be no assurance that such regulatory approvals will be secured on a timely basis or at all.

All these factors could result in a material decrease in Journey's expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of Journey's reserves, borrowing capacity, revenues, profitability and funds flow and may have a material adverse effect on its business, financial condition, results of operations and prospects.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions, and

sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

General Weakness in the Oil and Gas Industry

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by OPEC, slowing growth in emerging economies, market volatility and disruptions in Asia, sovereign debt levels and political upheavals in various countries have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by the recent changes in government at a federal level and, in the case of Alberta, at the provincial level, and the resultant uncertainty surrounding regulatory, tax, royalty changes and environmental regulation that have been announced or may be implemented by the new governments. In addition, the inability to get the necessary approvals to build pipelines and other facilities to provide better access to markets for the oil and gas industry in western Canada has led to additional downward price pressure on oil and gas produced in western Canada and uncertainty and reduced confidence in the oil and gas industry in western Canada. Lower commodity prices may also affect the volume and value of the Company's reserves, rendering certain reserves uneconomic. In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, the Company's funds flow resulting in a reduced capital expenditure budget. Consequently, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Any decrease in value of the Company's reserves may reduce the borrowing base under the Credit Agreement, which, depending on the level of the Company's indebtedness, could result in the Company having to repay a portion of its indebtedness. Given the current market conditions and the lack of confidence in the Canadian oil and gas industry, the Company may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Gathering and Processing Facilities and Pipeline Systems

The Company delivers its products through gathering, processing and pipeline systems, some of which it does not own. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability or capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities, could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. Although pipeline expansions and new projects are ongoing, the lack of firm pipeline capacity affects the oil and natural gas industry and may limit the Company's ability to market oil and natural gas production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators may also affect the Company's production, operations and financial results. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, results of operations and funds flows.

A portion of the Company's production may, from time to time, be processed through facilities owned by third parties and over which the Company does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Company's ability to process its production and to deliver the same for sale.

The Company's production could be adversely impacted by both firm and interruptible transportation service curtailments on TransCanada Corporation's Nova Gas Transmission Ltd. system.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Journey's long-term commercial success depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, Journey's existing reserves, and the production from them, will decline over time as it produces from such reserves. A future increase in Journey's reserves will depend on both the Company's ability to explore and develop its existing properties and on its ability to select and acquire suitable producing properties or prospects. There is no assurance that Journey will be able to continue to find satisfactory properties to acquire or participate in. Moreover, Journey's management may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participations uneconomic. There is also no assurance that Journey will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, and shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, the Company may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on Journey's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount the Company considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Delays in Business Operations

Delays in business operations could adversely affect dividends to Shareholders and the market price of the Common Shares. In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of Journey's properties and the delays of those operators in remitting payment to Journey, payments between any of these parties may also be delayed by:

- restrictions imposed by lenders;
- delays in the sale or delivery of products;

- delays in the connection of wells to a gathering system;
- restrictions due to limited pipeline capacity;
- blowouts or other accidents;
- accounting delays;
- adjustments for prior periods;
- recovery by the operator of expenses incurred in the operation of the properties; or
- the establishment by the operator of reserves for these expenses.

Any of these delays could expose Journey to additional third party credit risks.

Regulation of Hydraulic Fracturing

Journey uses hydraulic fracturing in its operations. Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to fracture such formations and thereby stimulate oil and natural gas production. Hydraulic fracturing is used to produce commercial quantities of oil and natural gas from reservoirs. Negative perception of hydraulic fracturing may place pressure on governments in jurisdictions where Journey operates to implement additional regulatory requirements or limitations on utilization of hydraulic fracturing, which in turn could restrict Journey's operations and increase its costs. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or government claims, and could increase the Company's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reservoirs.

Reliance on Groundwater

Journey relies on groundwater, which is obtained under government licenses, to provide the substantial quantities of water required for certain of its operations. There can be no assurance that the license to withdraw water will not be rescinded or that additional conditions will not be added to these licenses. Further, there can be no assurance that the Company will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. New projects, or the expansion of existing projects, may be dependent on securing licenses for additional water withdrawal, and there can be no assurance that these licenses will be granted on terms favourable to the Company, or at all, or that such additional water will in fact be available to divert under such licenses.

Project Risks

Journey manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Journey's ability to execute projects and market oil and natural gas depends upon numerous factors beyond its control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;

- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or the Company's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that it produces effectively.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market, including governmental regulatory actions or adverse changes in general market conditions or economic trends. In certain jurisdictions, institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors, as well as the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Regulatory

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (exploration, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase Journey's costs, either of which may have a material adverse effect on Journey's business, financial condition, results of operations and prospects. In order to conduct oil and natural gas operations, Journey requires licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be

required to conduct operations that it may wish to undertake. In addition to regulatory requirements pertaining to the production, marketing and sale of oil and natural gas mentioned above, Journey's business and financial condition could be influenced by federal legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada).

Security Deposit under Provincial Liability Management Programs

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its obligation. These programs generally involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Changes to the required ratio of the Company's deemed assets to deemed liabilities or other changes to the requirements of liability management programs may result in significant increases to the Company's compliance requirement. In addition, the liability management system may prevent or interfere with the Company's ability to acquire or dispose of assets as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. The recent Alberta Court of Queen's Bench Redwater decision, and subsequent appeal to the Alberta Court of Appeal in *Orphan Well Association v Grant Thornton Limited, 2017 ABCA 124* found an operational conflict between the *Bankruptcy and Insolvency Act* and the AER's abandonment and reclamation powers when the licensee is insolvent. These decisions have been appealed before the Supreme Court of Canada and the AER has since issued interim rules to administer the liability management program and until the Alberta Government can develop new regulatory measures to adequately address environmental liabilities. The decision from this appeal has been reserved by the Supreme Court of Canada. There remains a great deal of uncertainty as to what new regulatory measures will be developed or what the impact of the court decision will have on other provinces.

Substantial Capital Requirements

Journey anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, Journey's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- its credit rating (if applicable);
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and its securities, in particular.

Further, if Journey's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. 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. Journey's inability to access sufficient capital for its operations could have a material adverse effect on its business, financial condition, results of operations and prospects.

Credit Agreement Arrangements

The Company currently has a Credit Facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Company is required to comply with covenants under its Credit Facility, which may affect the availability, or price, of additional funding and, in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. A failure to comply with covenants could result in default under the Credit Facility, which could result in the Company being required to repay amounts owing thereunder. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Credit Facility may impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchasing or making other distributions with respect to the Company's securities, incurring additional indebtedness, providing guarantees, the assumption of loans, making capital expenditures, entering into amalgamations, mergers, take-over bids or disposing of assets, among others.

The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors to periodically determine the Company's borrowing base. Commodity prices continue to be depressed and have fallen dramatically since 2014, and while prices have recently increased they remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production and increasing production by U.S. shale producers. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds available to the Company under the Credit Facility. This could result in the requirement to repay a portion, or all, of the Company's indebtedness. If the Company's lenders require repayment of all or a portion of the amounts outstanding under its credit facilities for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that the Company would be in a position to make such repayment. Even if the Company is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under credit facilities, the lenders under the credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Liquidity and Additional Funding Requirements

Journey's funds flow from its reserves or funds available under its current Credit Facility may not be sufficient to fund its ongoing activities at all times, and from time to time, it may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Company's access to additional financing may be affected.

Due to uncertainty in the credit markets, Journey may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect its ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Failure to obtain any financing necessary for Journey's capital expenditure plans may result in a delay in development or production on its properties.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this AIF are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as:

- historical production from the properties;
- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. Journey's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from Journey's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and thus does not reflect changes in Journey's reserves since that date.

Management of Growth

Journey may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. Journey's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. Journey's inability to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Key Personnel

Journey's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the business, financial condition, results of operations and prospects. The Company does not have any key person insurance in effect. The contributions of the existing management team to

its immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Journey will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of Journey's management.

Operational Dependence

Other companies operate some of the assets in which Journey has an interest. The Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the financial performance. Journey's return on assets operated by others depends upon a number of factors that may be outside of the Company's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which the Company has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Company has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Company may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Company potentially becoming subject to additional liabilities relating to such assets and the Company having difficulty collecting revenue due from such operators or recovering amounts owing to the Company from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Company's financial and operational results.

Royalty Regimes

There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt a new or modify the royalty regime which may have an impact on the economics of Journey's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or its operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017.

Environmental

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, territorial 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 environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the suspension or revocation of regulatory permits, damage claims and 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 is in material compliance with current applicable environmental legislation, 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 business, financial condition, results of operations and prospects of Journey.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "*Industry Conditions – Climate Change Regulation – Federal*". In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing the Company's operating expenses, each of which may have a material adverse effect on the Company's profitability and financial condition. Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Issuance of Debt

From time to time, Journey may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of a similar size. Depending on future exploration and development plans, Journey may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that it may incur. The level of Journey's aggregate indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

Journey has implemented a hedging policy using, amongst others, collars and fixed price swaps to hedge its gross oil, NGLs and natural gas production (net of royalties) up to 75% for the current year, up to 60% for the following year and up to 25% the next following year for a maximum period of 3 years. These hedging activities could expose the Company to losses or gains. To the extent that Journey engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose Journey to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time, Journey may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar. However, if the Canadian dollar declines in value compared to the United States dollar, Journey will not benefit from the fluctuating exchange rate.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat Journey's claim. The Company's actual interest in properties may, therefore, vary from its records. If a title defect does exist, it is possible that Journey may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on its business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title,

to the oil and natural gas properties that Journey controls that, if successful or made into law, could impair Journey's activities and result in a reduction of the revenue received by Journey.

Expiration of Licences and Leases

Journey's properties are held in the form of licences and leases and working interests in licences and leases. If Journey or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Journey's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the business, financial condition, results of operations and prospects of Journey.

Income Taxes

Journey has filed all required income tax returns and believes that it is in full compliance with the provisions of the Tax Act and all other applicable provincial tax legislation. Notwithstanding this, such returns are subject to reassessment by the applicable taxation authority and it is possible that the tax authorities could successfully challenge any prior transactions and tax filings of Journey. In the event of a successful reassessment, Journey may be subject to higher than expected past or future income tax liability as well as potential interest and penalties.

Income tax laws, including those laws applicable to the oil and gas industry and the taxation of dividends, and government incentive programs relating to the oil and gas industry may in the future be changed or interpreted in a manner that adversely affects Journey. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Journey considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

In addition, acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets acquired and the Company's securities.

Global Financial Markets

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. These events and conditions have caused a decrease in confidence in the broader U.S. and global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. While there are signs of economic recovery, these factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward. Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions taken by OPEC and the ongoing global credit and liquidity concerns. This volatility may in the future affect the Company's ability to obtain equity or debt financing on acceptable terms.

Forward Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking information and, in particular, the guidance provided under "*General Development of the Business – Recent Developments*". By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumption and uncertainties are found under "*Forward-Looking Statements*".

Competition

The petroleum industry is competitive in all its phases. Journey competes with numerous other entities in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Journey's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than the Company's. Journey'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.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affect the Company's production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of the Company's reserves as determined by independent evaluators.

To the extent that Journey engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which it may contract.

An increase in interest rates could result in a significant increase in the amount that Journey pays to service debt, resulting in a reduced amount available to fund its exploration and development activities and, if applicable, the cash available for dividends and could negatively impact the market price of its Common Shares.

Litigation

In the normal course of Journey's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions related to personal

injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Journey and as a result, could have a material adverse effect on its assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

Insurance

Journey's involvement in the exploration, development and production of oil and natural gas properties may result in Journey becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, Journey may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance, or for other reasons. The payment of any uninsured liabilities would reduce the funds available to Journey. The occurrence of a significant event that Journey is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Journey's business, financial condition, results of operations and prospects.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, Journey may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put Journey at competitive risk and may cause significant damage to its business. The harm to Journey's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, Journey will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Seasonality

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for Journey's goods and services as the demand for natural gas rises during cold winter months and hot summer months.

Third Party Credit Risk

Journey 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 that such entities fail to meet their contractual obligations to Journey, such failures may have a material adverse effect on the business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Journey's ongoing capital program, potentially delaying the program and the results of such program until Journey finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Waterfloods

The Company currently undertakes or may undertake in the future certain waterflooding programs which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities, the Company needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that the Company will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If the Company is unable to access such water, it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reservoirs. In addition, the Company may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on the Company's results of operations.

Conflicts of Interest

Certain of Journey's directors or officers may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Officers – Conflicts of Interest*".

Expansion into New Activities

Journey's operations and the expertise of its management are currently focused primarily on oil and gas production, exploration and development in the Western Canadian Sedimentary Basin. In the future the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase its exposure to one or more existing risk factors, which may in turn result in the future operational and financial conditions of the Company being adversely affected.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Journey and may delay exploration and development activities.

Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Journey or implemented in the future may become obsolete. In such case, Journey's business, financial condition and results of operations could be materially adversely affected. If Journey is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for

oil and other liquid hydrocarbons. Journey cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on its business, financial condition, results of operations and funds flows.

Climate Change

The Company's exploration and production facilities and other operations and activities emit greenhouse gases which may require the Company to comply with GHG emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the UNFCCC and a participant to the Copenhagen Agreement (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it would seek a 17% reduction in GHG emissions from 2005 levels by 2020; however, these GHG emission reduction targets were not binding. As a result of the UNFCCC adopting the Paris Agreement on December 12, 2015, which Canada ratified on October 3, 2016, the Government of Canada implemented new GHG emission reduction targets of a 30% reduction from 2005 levels by 2030. In addition, the Government of Canada announced it would implement a Canada wide price on carbon to further reduce its GHG emissions. In addition, on January 1, 2017, the CLA came into effect in the Province of Alberta introducing a carbon tax on almost all sources of GHG emissions at a rate of \$20 per tonne, which increased to \$30 per tonne in January 2018. The direct or indirect costs of compliance with these regulations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Some of the Company's significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

Information Technology Systems and Cyber Security

The Company has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage its land base, analyze seismic information, administer contracts with its operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to the Company's business activities or its competitive position. Further, disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's performance and earnings, as well as on its reputation. The Company applies technical and process controls in line with industry accepted standards to protect its information assets and systems; however, these controls may not adequately prevent cyber-security breaches. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Geopolitical Risks

Political events throughout the world that cause disruptions in the supply of oil continue to affect the marketability and price of oil and natural gas acquired or discovered by Journey. Conflicts, or conversely peaceful developments, arising outside of Canada have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of Journey's net production revenue.

In addition, the Company's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of Journey's properties, wells or facilities are the subject of a terrorist attack, it may have a material adverse

effect on the business, financial condition, results of operations and prospects. Journey does not have insurance to protect against the risk from terrorism.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. Journey is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful such claim may have a material adverse effect on the business, financial condition, results of operations and prospects of Journey. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a material adverse effect on the Company's business and financial results.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading “*Forward-looking Statements*”.

STATEMENT OF RESERVES DATA

Statement of Reserves Data and Other Oil and Natural Gas Information

The statement of reserves data and other oil and natural gas information set forth below is dated February 26, 2018. The statement is effective as of December 31, 2017 and the preparation date of the statement is February 12, 2018. The Report On Reserves Data By Independent Qualified Reserves Evaluator or Auditor in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Appendices “A” and “B” to this AIF, respectively.

Disclosure of Reserves Data

The reserves data set forth below is based upon an evaluation by GLJ with an effective date of December 31, 2017 as contained in the GLJ Report. The reserves data summarizes the crude oil, natural gas and natural gas liquids reserves of Journey and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The GLJ Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324. Journey engaged GLJ to provide an evaluation of its proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of Journey’s reserves are in the Province of Alberta.

Journey determined the future net revenue and present value of future net revenue after income taxes by utilizing GLJ’s before income tax future net revenue and estimate of income tax. The estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and include assumptions and estimates of Journey’s tax pools provided by management of the Company and the sequences of claims and rates of claim thereon. The values shown may not be representative of future income tax obligations, applicable tax horizon or after tax valuation. The after tax net present value of Journey’s oil and gas properties reflects the tax burden of its properties on a stand-alone basis. It does not provide an estimate of the value of Journey as a business entity, which may be significantly different.

All evaluations of future net revenue are after the deduction of royalties, development costs, production costs and well abandonment and reclamation costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ represent the fair market value of those reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized herein. Readers should review the definitions and information contained in “*Presentation of Oil and Gas Reserves and Production Information - Glossary of Selected Oil and Gas Terms*” in conjunction with the following tables and notes. The recovery and reserve estimates described herein are estimates only. The actual reserves associated with Journey’s properties may be greater or less than those calculated. See “*Risk Factors*”.

The tables below summarize the data contained in the GLJ Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly.

Summary of Reserves (Forecast Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES AS OF DECEMBER 31, 2017 FORECAST PRICES AND COSTS

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		HEAVY OIL ⁽¹⁾		CONVENTIONAL NATURAL GAS		COAL BED METHANE		NATURAL GAS LIQUIDS	
	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (Mbbls)	Net (Mbbls)
PROVED:										
Developed Producing	5,729	4,992	2,896	2,630	68,225	59,430	29,600	25,348	2,962	2,342
Developed Non-Producing	110	105	5	5	4,054	3,265	129	113	136	97
Undeveloped	2,550	2,030	1,485	1,302	20,978	19,318	0	0	931	857
TOTAL PROVED	8,388	7,127	4,386	3,937	93,257	82,012	29,728	25,460	4,028	3,295
PROBABLE	7,808	6,486	3,176	2,713	51,879	46,083	8,466	7,241	1,838	1,565
TOTAL PROVED PLUS PROBABLE	16,196	13,612	7,562	6,650	145,137	128,095	38,194	32,702	5,866	4,861

(1) The crude oil in Journey's heavy oil reserves classification is approximately 20° API and is therefore classified as heavy oil under NI 51-101.

NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED (%/year) AS OF DECEMBER 31, 2017 FORECAST PRICES AND COSTS

RESERVES CATEGORY	Discount Rate					Unit Value Before Income Tax Discounted at 10% per Year \$/boe ⁽¹⁾
	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)	
PROVED:						
Developed Producing	398,189	309,837	251,747	212,151	183,843	10.45
Developed Non-Producing	16,249	10,697	7,966	6,334	5,235	10.35
Undeveloped	140,628	80,726	47,950	28,686	16,662	6.47
TOTAL PROVED	555,066	401,259	307,662	247,171	205,739	9.53
PROBABLE	567,334	334,481	219,504	154,817	114,766	11.17
TOTAL PROVED PLUS PROBABLE	1,122,401	735,740	527,166	401,988	320,505	10.15

(1) Unit values are based on Company Net Reserves.

NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED (%/year) AS OF DECEMBER 31, 2017 FORECAST PRICES AND COSTS

RESERVES CATEGORY	Discount Rate				
	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
PROVED:					
Developed Producing	398,189	309,837	251,747	212,151	183,843
Developed Non-Producing	16,249	10,697	7,966	6,334	5,235
Undeveloped	140,628	80,726	47,950	28,686	16,662
TOTAL PROVED	555,066	401,259	307,662	247,171	205,739
PROBABLE	444,224	273,647	186,649	135,897	103,322
TOTAL PROVED PLUS PROBABLE	999,290	674,906	494,312	383,068	309,061

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS ⁽¹⁾⁽²⁾**

RESERVES CATEGORY	REVENUE (\$000s)	ROYALTIES (\$000s)	OPERATING COSTS (\$000s)	DEVELOPMENT COSTS (\$000s)	ABANDONMENT AND RECLAMATION COSTS⁽³⁾ (\$000s)	FUTURE NET REVENUE BEFORE INCOME TAXES (\$000s)	FUTURE INCOME TAX EXPENSES (\$000s)	FUTURE NET REVENUE AFTER INCOME TAXES (\$000s)
Total Proved	1,618,585	187,709	668,798	111,283	95,730	555,066	-	555,066
Total Proved plus Probable	2,908,000	362,901	1,099,601	208,625	114,473	1,122,401	123,110	999,290

Notes:

- (1) Total revenue includes Company revenue before royalty and includes other income.
- (2) Royalties include Crown, freehold and overriding royalties and mineral tax.
- (3) Reflects estimated abandonment and reclamation costs for all wells (both existing and undrilled wells) that have been attributed reserves.

**FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2017
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES⁽²⁾ (discounted at 10%/year) (\$000s)	UNIT VALUE BEFORE INCOME TAX⁽²⁾ (discounted at 10%/year) (\$/boe)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	135,369	13.29
	Heavy Oil (including solution gas and other by-products) ⁽¹⁾	76,041	18.94
	Conventional Natural Gas (including by-products but excluding solution gas)	76,272	5.49
	Coal Bed Methane	19,979	4.79
	Total	307,662	9.53
Proved plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	260,775	13.14
	Heavy Oil (including solution gas and other by-products) ⁽¹⁾	132,047	19.55
	Conventional Natural Gas (including by-products but excluding solution gas)	108,612	5.44
	Coal Bed Methane	25,731	4.81
	Total	527,166	10.15

Note:

- (1) The crude oil in Journey's heavy oil reserves classification is approximately 20° API and is therefore classified as heavy oil under NI 51-101.
- (2) Other Company revenue and costs not allocated to a specific production group have been allocated proportionally to production groups. Unit values are based on the Company net reserves.

Pricing Assumptions

The forecast cost and price assumptions above assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The following crude oil and natural gas benchmark

reference pricing, inflation and exchange rates were utilized in the GLJ Report and are the average of the published forecasts for GLJ, Sproule Associates Ltd. and McDaniel & Associates Consultants Ltd.

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
AS OF JANUARY 1, 2018
FORECAST PRICES AND COSTS**

Year	OIL			NATURAL GAS	NATURAL GAS LIQUIDS			INFLATION RATE ⁽¹⁾ %/Year	EXCHANGE RATE ⁽²⁾ (\$US/\$Cdn)
	WTI Cushing Oklahoma	Edmonton Oil Price 40° API	Hardisty Bow River Stream Quality	AECO Gas Price	Edmonton Propane	Edmonton Butane	Edmonton Pentanes Plus		
	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/MMBtu)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)		
2018	57.50	68.60	51.23	2.43	35.69	51.29	72.41	0.7	0.7900
2019	60.90	72.02	57.52	2.77	35.82	52.29	74.90	2.0	0.8000
2020	64.13	74.48	61.56	3.19	34.85	53.92	77.07	2.0	0.8167
2021	68.33	78.60	65.27	3.48	36.07	56.70	81.07	2.0	0.8283
2022	71.19	80.84	67.35	3.67	35.89	58.32	83.32	2.0	0.8400
2023	73.15	82.83	69.24	3.76	36.28	59.72	85.35	2.0	0.8433
2024	75.16	85.17	71.39	3.85	37.39	61.42	87.75	2.0	0.8433
2025	77.17	87.53	73.55	3.93	38.50	63.08	90.13	2.0	0.8433
2026	79.01	89.66	75.49	4.02	39.52	64.60	92.32	2.0	0.8433
2027	80.60	91.49	77.12	4.10	40.37	65.95	94.21	2.0	0.8433
2028	82.20	93.31	78.65	4.19	41.24	67.26	96.11	2.0	0.8433
2029	83.83	95.15	80.21	4.28	42.07	68.58	97.99	2.0	0.8433
2030	85.52	97.09	81.82	4.37	42.95	69.99	99.99	2.0	0.8433
Thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	2.0	0.8433

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by Journey for the year ended December 31, 2017 were \$55.28/bbl for light and medium oil, \$50.96/bbl for heavy oil, \$34.54/bbl for natural gas liquids and \$1.98/Mcf for natural gas.

Reserves Reconciliation

**RECONCILIATION OF GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS**

	LIGHT AND MEDIUM OIL			HEAVY OIL			NATURAL GAS LIQUIDS		
	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)
December 31, 2016	10,485	8,476	18,961	3,254	2,095	5,350	1,952	707	2,659
Discoveries	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	536	507	1,044	485	615	1,100	30	43	73
Technical Revisions	(1,690)	(1,210)	(2,900)	955	471	1,425	(18)	(68)	(87)
Acquisitions	612	271	883	0	0	0	2,377	1,184	3,561
Dispositions	(354)	(193)	(546)	0	0	0	(65)	(22)	(87)
Economic Factors	(74)	(43)	(117)	(7)	(5)	(13)	(14)	(5)	(19)
Production	(1,127)	0	(1,127)	(301)	0	(301)	(233)	0	(233)
December 31, 2017	8,388	7,808	16,196	4,386	3,176	7,562	4,028	1,838	5,866

	COAL BED METHANE			CONVENTIONAL NATURAL GAS			OIL EQUIVALENT		
	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved Plus Probable (Mboe)
December 31, 2016	31,113	7,467	38,579	55,312	30,802	86,114	30,096	17,656	47,751
Discoveries	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	0	0	0	1,692	1,886	3,579	1,333	1,480	2,813
Technical Revisions	1,902	1,143	3,044	2,224	(3,235)	(1,011)	(67)	(1,156)	(1,223)
Acquisitions	0	0	0	44,182	22,975	67,157	10,353	5,284	15,637
Dispositions	0	0	0	(645)	(246)	(892)	(526)	(256)	(782)
Economic Factors	(266)	(144)	(409)	(716)	(304)	(1,019)	(259)	(128)	(387)
Production	(3,020)	0	(3,020)	(8,791)	0	(8,791)	(3,630)	0	(3,630)
December 31, 2017	29,728	8,466	38,194	93,257	51,879	145,137	37,300	22,879	60,179

Additional Information Relating to Reserves Data

Undeveloped Reserves

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than proved reserves where significant expenditure is required to render them capable of production. The GLJ Report contains proved and probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGE Handbook.

Journey plans to develop all of the proved and probable undeveloped reserves in the GLJ Report over the next six years. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see “Risk Factors”.

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of proved undeveloped reserves that were attributed in each of the most recent three financial years.

Year	Light and Medium Oil (Mbbls)		Heavy Oil (Mbbls)		Conventional Natural Gas (MMcf)		NGLs (Mbbls)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2015	1,316	4,159	0	493	806	12,093	5	282
2016	88	3,868	298	825	3,157	12,807	380	542
2017	309	2,550	580	1,485	9,859	20,978	452	931

GLJ has assigned 8,462 Mboe of proved undeveloped reserves in the GLJ Report under forecast prices and costs which includes \$98.4 million of associated undiscounted future development capital. Forecast spending for the next two years is \$41.7 million.

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of probable undeveloped reserves that were attributed in each of the most recent three financial years.

Year	Light and Medium Oil (Mbbbls)		Heavy Oil (Mbbbls)		Conventional Natural Gas (MMcf)		NGLs (Mbbbls)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2015	791	6,388	895	2,162	1,485	19,764	8	410
2016	561	6,058	55	1,139	2,788	16,377	161	391
2017	587	5,404	684	2,011	14,381	28,796	653	998

GLJ has assigned 13,213 Mboe of probable undeveloped reserves in the GLJ Report under forecast prices and costs which includes \$95.4 million of associated undiscounted future development capital. Forecast spending for the next two years is \$38.4 million.

Significant Factors or Uncertainties Affecting Reserves Data

Changes in forecast commodity prices relative to the forecasts provided under “*Pricing Assumptions*” above could have a negative impact on the Company’s reserves and, in particular, the development of our undeveloped reserves unless future development costs are adjusted at the same time. Other than the foregoing and the factors disclosed or described in the tables above, Journey does not anticipate that any significant economic factors or significant uncertainties will affect any particular components of its reserves data. However, Journey’s reserves can be significantly affected by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes, abandonment and reclamation costs and well performance that are beyond the Company’s control. See “*Risk Factors*”.

Abandonment and Reclamation Costs

The costs to abandon and reclaim all of Journey’s producing and non-producing wells, gas plants, pipelines, batteries, and other facilities have been estimated by Journey in consultation with industry consultants who are knowledgeable in these matters. No estimate of salvage value is netted against these estimated costs. The Company’s model for estimating the amount of future abandonment and reclamation expenditures is done at the well and facility levels. Estimated costs for each well, pipeline segment and facility are based on an external consultant’s estimates and then adjusted by internal technical personnel to take into account specific additional information that is unique to those properties. Each well, pipeline and facility is assigned a cost for abandonment and reclamation that is unique to the type of property, taking into account its geographic location, well depth, and producing zones, among other factors. The timing of the expenditures is based on the end of the productive life for the specific wells extracted from the reserve reports and further takes into account corporate budgets and governmental requirements. Facility reclamation costs are generally scheduled to begin shortly after the end of the reserve life for the specific field for the associated reserves.

As at December 31, 2017 there were 2,244 gross (1,677.9 net) wells for which Journey expects to incur abandonment and reclamation costs or reclamation costs only.

The future net revenues disclosed in the GLJ Report do not contain an allowance for abandonment and reclamation costs for surface leases, facilities, pipelines and non-reserve assigned wells. The GLJ Report deducted \$114.5 million (undiscounted) for abandonment and reclamation costs of wells with proved and probable reserves, in estimating the future net revenues disclosed above. A comprehensive estimate of future abandonment and reclamation costs for all of Journey’s existing wells, facilities, surface leases, and pipelines is provided for in the financial statements of Journey. These amounts are described in Note 11 of the December 31, 2017 audited, annual financial statements.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Journey's future net revenue attributable to the reserve categories noted below.

Year	FUTURE DEVELOPMENT COSTS	
	Proved Reserves (\$000s)	Proved Plus Probable Reserves (\$000s)
2018	19,130	23,055
2019	29,498	63,569
2020	20,710	60,041
2021	22,668	35,096
2022	7,079	12,746
Thereafter	12,198	14,118
Total (Undiscounted)	111,283	208,625
Total (Discounted at 10%)	87,491	164,874

Journey expects to fund the development costs of its reserves through a combination of internally generated funds flow, debt and equity issuances. There can be no guarantee that funds will be available or that the Board of Directors will allocate funding to develop all of the reserves attributed in the GLJ Report. Failure to develop those reserves could have a negative impact on Journey's future funds flow.

Interest or other costs of external funding are not included in Journey's reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. Journey does not anticipate that interest or other funding costs would make development of any of its properties uneconomic.

Other Oil and Natural Gas Information

Principal Oil and Natural Gas Properties

The following is a description of Journey's principal oil and natural gas properties on production or under development as at December 31, 2017. Information in respect of production is average annual production; net to Journey's working interest, except where otherwise indicated.

Countess, Alberta

The Greater Countess area is located adjacent to Brooks, Alberta and includes production from the Countess and Brooks properties.

Countess production is comprised of shallow gas from the Milk River/Medicine Hat formations, coal bed methane from Belly River coal formations and production of oil and associated gas mostly from the Glauconite and Sunburst formations. The Milk River and Medicine Hat sequence is dominated by marine sandstones. Substantially all of Journey's shallow gas wells have been additionally completed uphole in the coal units of the Belly River formation to add significant production and reserves to the property in 2016. Countess and Brooks oil is characterized by its large oil in place, low recovery medium gravity oil (25° to 30° API) in the Glauconite and Sunburst formations. The Glauconite formation is dominated by shore face sandstone deposits and channel sandstones. These fine grained sandstone reservoirs were originally developed with vertical wells, and have since been further exploited with horizontal multi-frac drilling. In addition, the underlying Sunburst formation is an estuarine valley fill sandstone deposit. These fine grained sandstone reservoirs were also originally developed with vertical wells, and have since been further exploited with horizontal drilling using conventional completions. A significant inventory of development drilling in both zones and subsequent water flood comprises the bulk of the upside of this asset.

In 2017, Journey drilled 2 (1.5 net) horizontal oil wells targeting the Sunburst formation and 1(1 net) horizontal multi-frac oil well targeting the Glauconite formation. Average 2017 production at the Countess-Brooks area was 2,997 boe/d (19% liquids).

Gilby, Alberta

The Greater Gilby area is located just northwest of Red Deer, Alberta. During 2017, Journey divested of its property at Sylvan Lake and acquired assets at Gilby and Gull Lake. Production from the area is mainly gas and associated liquids from the Glauconite formation and oil from the Mannville formation.

Glauconite gas and associated liquids produces from the Hoadley barrier island sandstone trend. This extensive gas field has been developed in phases over the past 30 years, initially with vertical wells, and more recently with horizontal wells. The formation varies in reservoir quality, but is generally low permeability, gas charged and slightly over-pressured. Journey's lands are partially developed with both vertical and horizontal wells, but a significant inventory of low risk horizontal wells remain to be drilled.

Oil production at Gilby is predominantly from the Gilby Mannville B Unit which is a medium gravity (26° API) water flood where Journey holds 100% working interest. In 2017, Journey drilled 1 (1 net) horizontal well at the Gilby Mannville B Unit. Average 2017 production at the Greater Gilby area was 1,551 boe/d (36% liquids).

Crystal, Alberta

The Greater Crystal area is located approximately 90 kilometres southwest of Edmonton, Alberta and production is mainly from properties at Crystal, Poplar Creek, Westeros and Berrymoor.

At the Crystal property, oil production is from the Viking formation (40° API), which produces from an estuarine valley fill sandstone reservoir. Further upside exists in the exploitation of the Viking sandstone by drilling horizontally into the existing pool, drilling horizontal, multi-frac wells in the lower permeability portions of the pool, and expanding the existing water flood beyond the heart of the pool. In 2017, Journey acquired additional production and infrastructure interests at Crystal.

At Poplar Creek and Westeros, Belly River oil (34° to 37° API) production occurs in several pools, producing from delta front shore face sandstone reservoirs, many of which are currently water flooded. Upside exists with infill horizontal multi-frac drilling, pool expansion and water flood expansion in several Belly River pools.

The Westeros Banff B Unit is a stable, long life oil pool (29° API) currently under a gas reinjection scheme. Production occurs from the vuggy dolomite reservoir of the Banff Clarks member. Further drilling is contemplated for this pool to optimize recovery.

At Berrymoor, low decline production is mainly from an Ostracod oil pool (31° API) which is currently under water flood.

In 2017, Journey drilled 2 (2 net) horizontal multi-frac wells targeting Viking oil at the Crystal property. At Berrymoor, Journey drilled 2 (2 net) vertical wells targeting Ostracod oil. Average 2017 production from the Greater Crystal area was 1,352 boe/d (73% liquids).

Matziwin, Alberta

The Matziwin property is located approximately 50 kilometers north of Brooks, Alberta

Matziwin is characterized by its large oil in place, low recovery medium gravity oil (30° API) and associated natural gas production. In the area, production is primarily from the Glauconite formation, dominated by shoreface sandstone deposits. These fine grained sandstone reservoirs were originally developed with vertical wells, and have

since been further exploited with horizontal multi-frac drilling. A significant inventory of development drilling locations and subsequent water flood comprises the bulk of the upside of this asset.

Average 2017 production at Matziwin was 1,219 boe/d (40% liquids). A significant inventory of development drilling locations and subsequent water flood comprises the bulk of the upside of this asset.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which Journey had a working interest as at December 31, 2017 and does not include 208 gross (148.6 net) service wells (injection, disposal, source water or observation wells), and 254 (152.8 net) abandoned wells (cut and capped but not reclaimed yet).

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	456	334.3	356	253.4	701	608.8	269	180
Total	456	334.3	356	253.4	701	608.8	269	180

Properties with No Attributed Reserves

The following table sets out the developed and undeveloped land holdings of Journey as at December 31, 2017.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	343,754	248,996	161,485	124,795	505,239	373,791
Total	343,754	248,996	161,485	124,795	505,239	373,791

Of the properties set out above, 33,320 gross (30,903 net) acres are scheduled for expiry in 2018.

Forward Contracts

Journey uses risk management contracts in order to reduce its exposure to fluctuations in commodity prices. These instruments are not used for trading or speculative purposes.

All of the contracts through which the Company has fixed the price applicable to certain of its future production outstanding as at December 31, 2017 have been disclosed in Note 19(b) and Note 26 to the audited financial statements of the Company for the years ended December 31, 2017, for contracts entered into subsequent to December 31, 2017. The audited available financial statements are available on the the SEDAR website at www.sedar.com and are incorporated herein by reference.

Tax Horizon

Based on the tax pools of Journey as at December 31, 2017, the anticipated capital spending profile, and forecasted commodity prices in the GLJ Report, it is not currently anticipated that Journey will pay cash taxes for at least the next five years.

Costs Incurred

The following table summarizes the capital costs incurred by Journey for the year ended December 31, 2017.

	Year ended December 31, 2017 (\$000s)
Property acquisition costs:	
Proved properties ⁽¹⁾	30,381
Undeveloped properties ⁽¹⁾	2,925
Exploration costs	1,117
Development costs	31,121
Other	84
Total	65,628

Notes:

(1) Net of dispositions.

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which Journey participated during the year ended December 31, 2017.

	Development		Exploratory	
	Gross	Net	Gross	Net
Natural Gas	-	-	-	-
Oil	10	9.5	-	-
Service	-	-	-	-
Stratigraphic Test	-	-	-	-
Dry	2	2.0	-	-
Total	12	11.5	-	-

In 2018, Journey currently plans to drill up to 9 gross (9.0 net) wells focusing on its oil plays at Matziwin, Skiff, and Crystal. As of the date hereof, 2 gross (2.0 net) wells have been drilled in Matziwin.

Production Estimates

The following table sets out for each product type the gross volume of production estimated for 2018 in the estimates of gross proved reserves and gross probable reserves disclosed in the tables above. The Greater Countess area accounts for approximately 25% of the production estimate from the total gross proved plus probable reserves disclosed above.

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d)⁽¹⁾	Conventional Natural Gas (Mcf/d)	Coal Bed Methane (Mcf/d)	Natural Gas Liquids (bbl/d)	Oil Equivalent (boe/d)
Proved						
Greater Countess	480	0	4,652	8,647	17	2,714
Other Alberta	2,736	802	20,594	0	763	7,732
Total Proved	3,216	802	25,246	8,647	780	10,446

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d)⁽¹⁾	Conventional Natural Gas (Mcf/d)	Coal Bed Methane (Mcf/d)	Natural Gas Liquids (bbl/d)	Oil Equivalent (boe/d)
Probable						
Greater Countess	18	0	103	86	1	50
Other Alberta	206	38	847	0	19	404
Total Probable	224	38	950	86	20	454

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d)⁽¹⁾	Conventional Natural Gas (Mcf/d)	Coal Bed Methane (Mcf/d)	Natural Gas Liquids (bbl/d)	Oil Equivalent (boe/d)
Total Proved plus Probable	3,440	839	26,196	8,733	800	10,900

Note:

(1) The crude oil in Journey's heavy oil reserves classification is approximately 20° API and is therefore classified as heavy oil under NI 51-101.

Production History

The following tables summarize certain information in respect of the production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below.

	Quarter Ended 2017				Year Ended
	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31, 2017
Average Daily Production ⁽¹⁾					
Light and Medium Oil (bbl/d)	3,102	3,157	2,907	3,195	3,090
Heavy Oil (bbl/d)	835	872	816	776	824
Natural Gas Liquids (bbl/d)	326	641	782	825	646
Natural Gas (MMcf/d)	28,586	33,146	33,496	34,349	32,413
Combined (boe/d)	9,027	10,194	10,088	10,521	9,962
Average Net Production Prices Received					
Light and Medium Oil (\$/Bbl)	55.26	54.05	50.38	60.95	55.28
Heavy Oil (\$/Bbl)	50.62	50.53	47.39	55.57	50.96
Natural Gas Liquids (\$/Bbl)	32.01	33.50	28.71	41.83	34.54
Natural Gas (\$/Mcf)	2.53	2.69	1.42	1.66	1.98
Combined (\$/boe)	32.85	31.92	25.29	31.32	30.27
Royalties Paid					
Light and Medium Oil (\$/Bbl)	7.64	8.33	7.34	8.37	7.93
Heavy Oil (\$/Bbl)	4.80	5.45	4.83	8.02	5.74
Natural Gas Liquids (\$/Bbl)	2.32	(17.80)	14.03	14.44	4.82
Natural Gas (\$/Mcf)	0.21	0.84	(0.46)	0.19	0.19
Combined (\$/boe)	3.82	(4.66)	2.07	4.89	3.87
Production Costs ⁽²⁾⁽³⁾					
Light and Medium Oil (\$/Bbl)	24.09	21.16	28.13	22.78	23.96
Heavy Oil (\$/Bbl)	13.06	15.08	15.55	15.54	14.80
Natural Gas Liquids (\$/Bbl)	13.89	7.40	6.85	5.78	7.52
Natural Gas (\$/Mcf)	1.19	1.42	1.40	1.22	1.31
Combined (\$/boe)	13.75	12.93	14.54	12.49	13.41
Transportation Costs ⁽²⁾⁽³⁾					
Light and Medium Oil (\$/Bbl)	0.71	1.09	1.06	0.74	0.90
Heavy Oil (\$/Bbl)	1.64	1.85	1.70	1.53	1.68
Natural Gas Liquids (\$/Bbl)	1.28	0.82	(0.46)	0.08	0.25
Natural Gas (\$/Mcf) ⁽⁵⁾	-	-	-	-	-
Combined (\$/boe)	0.44	0.55	0.41	0.34	0.43
Netback Received ⁽⁴⁾					
Light and Medium Oil (\$/Bbl)	22.82	23.47	13.85	29.06	22.49
Heavy Oil (\$/boe)	31.12	28.15	25.31	30.48	28.74
Natural Gas Liquids (\$/Bbl)	14.52	43.08	8.29	21.53	21.95
Natural Gas (\$/Mcf)	1.13	0.43	0.48	0.25	0.55
Combined (\$/boe)	14.84	13.78	8.27	13.60	12.56

Notes:

- (1) Before the deduction of royalties.
- (2) Production costs are composed of direct costs incurred to operate both oil and gas wells. A number of assumptions are required to allocate these costs between product types.
- (3) Operating recoveries associated with operated properties are charged to production costs and accounted for as a reduction to general and administrative costs.
- (4) See “GAAP and Non-GAAP Measures”.
- (5) These amounts are not material as they round to less than \$0.01.

The following table indicates the average daily production from the important fields for the year ended December 31, 2017.

	Light and Medium Crude Oil (bbl/d)	Heavy Oil (bbl/d)	Gas (Mcf/d)	NGLs (bbl/d)	Boe (boe/d)
Countess	539	-	14,619	21	2,997
Gilby	222	-	5,945	338	1,551
Crystal	875	-	2,212	109	1,353
Matziwin	480	-	4,362	12	1,219
Other	974	824	5,275	166	2,842
Total	3,090	824	32,413	646	9,962

DIVIDENDS AND DIVIDEND POLICY

Dividends and Dividend Policy

On July 15, 2014, the Company established a dividend policy of paying monthly dividends to Shareholders and to holders of Restricted Voting Shares.

On December 21, 2014, the Company amended its dividend policy to reflect a monthly dividend of \$0.025 per Common Share and per Restricted Voting Share, beginning with the dividend payment on February 16, 2015.

On August 12, 2015 the Company amended its dividend policy again in the following respects: 1) the effective monthly dividend was reduced to \$0.02 from \$0.025 per share commencing with the month of August, 2015; 2) the 2% discount offered to the Company's Dividend Reinvestment Plan participants was eliminated; 3) the dividend was to be declared and paid quarterly with the first quarterly dividend declared of \$0.04 per share, effective for the August and September months and paid on October 15, 2015.

On December 14, 2015 the quarterly dividend was suspended.

The following table sets forth the amount of total dividends paid per Common Share by the Company for the period indicated.

Declaration date	Dividend per Common and Restricted Voting Share
January 15, 2015	\$0.025
February 16, 2015	\$0.025
March 16, 2015	\$0.025
April 15, 2015	\$0.025
May 11, 2015	\$0.025
June 15, 2015	\$0.025
July 16, 2015	\$0.025
August 12, 2015	\$0.04
Total	\$0.215

There are currently no plans to reinstate the dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company as of the date hereof consists of an unlimited number of Common Shares, an unlimited number of Restricted Voting Shares and an unlimited number of Preferred Shares. As of the date of this AIF, there were 38,546,283 Common Shares issued and outstanding and no Restricted Voting Shares or Preferred Shares issued and outstanding. The following is a description of the rights, privileges, restrictions and conditions attaching to Journey's share capital.

Common Shares

The Common Shares have the following rights, privileges, restrictions and conditions:

Voting Rights: Holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the Shareholders (except meetings at which only holders of a specified class of shares are entitled to vote).

Dividends: Holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors on the Common Shares as a class, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Company and provided that no dividend shall be declared on the Common Shares unless a dividend in the same per share amount is declared on the Restricted Voting Shares.

Ranking: In the event of any liquidation, dissolution or winding-up of Journey, whether voluntary or involuntary, or any other distribution of Journey assets among its Shareholders for the purpose of winding-up Journey's affairs, and subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Company, holders of Common Shares are entitled to receive the remaining property of the Company upon dissolution in the same per share amount with the holders of Restricted Voting Shares.

The Common Shares also contain tag along rights to the benefit of the Restricted Voting Shares, which provide that in the event that an Exclusionary Offer (as defined below) is made, then an offer to acquire the Restricted Voting Shares must be made that is identical to the Exclusionary Offer in terms of price per share, percentage of outstanding shares to be taken up and in all other material respects. An "Exclusionary Offer" is defined as an offer to purchase Common Shares which must be made, by reason of applicable law or by the regulations or policies of any stock exchange on which the Common Shares are listed, to all or substantially all of the holders of Common Shares.

As at the date hereof, PSP owns 5,432,308 Common Shares (representing 14.1% of the outstanding Common Shares). AIMCo owns 4,950,000 Common shares representing 12.8% of the outstanding Common Shares.

Restricted Voting Shares

On June 6, 2014, the Company amended its articles to create the Restricted Voting Shares. The Restricted Voting Shares have the same rights, privileges, restrictions and conditions as the Common Shares set out above (and will rank equally with the Common Shares in respect to the right to receive dividends as and when declared by the Board of Directors and the right to receive Journey assets in the event of any liquidation, dissolution or winding-up of Journey), except holders of Restricted Voting Shares shall not be entitled to vote in respect of the election of directors of the Company and the Restricted Voting Shares shall automatically be converted into Common Shares on a 1:1 basis upon the sale of such Restricted Voting Shares to any third party and for no consideration payable in connection thereof.

A holder of Restricted Voting Shares shall have the right at any time or from time to time, upon providing notice to the Company, to convert all or any number of the outstanding Restricted Voting Shares held by such holder into Common Shares on the basis of one Common Share for each Restricted Voting Share, without payment of any additional consideration by such holder.

Preferred Shares

The Preferred Shares are issuable in series having such rights, restrictions, privileges, conditions and designations as the Board may from time to time determine.

Ranking: The Preferred Shares shall be entitled to preference over the Common Shares (and any other shares of the Company ranking junior to the Preferred Shares) with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, to the extent fixed in the case of each respective series, and may also be given such other preferences over the Common Shares (and any other shares of the Company ranking junior to the Preferred Shares) as may be fixed in the case of each such series.

There are currently no Preferred Shares outstanding.

Credit Agreement

Pursuant to the Credit Agreement, Journey currently has the Credit Facility with a total commitment of \$125 million. Advances under the production facility (authorized \$110 million) are available by way of prime loans, bankers' acceptances and bankers' acceptance equivalent advances, U.S. base rate loans and LIBOR loans. Advances under the working capital facility (authorized \$15 million) are available by way of prime loans, U.S. base rate loans, LIBOR loans, bankers' acceptances and letters of credit. In conjunction with the January 31, 2018 promissory note financing and the February 2, 2018 repurchase of shares from MIE, from February 2, 2018 until the 2018 annual borrowing base review is complete, Journey is required to obtain the unanimous consent of the syndicate to borrow amounts between \$100 million and \$125 million. Advances bear interest at the applicable margin determined in accordance with the consolidated debt to funds flow ratio and standby fees are charged on the undrawn amounts of the facilities. The Credit Agreement is secured by a \$500 million debenture over all of Journey's assets.

Credit Facility

On March 14, 2014, Journey entered into the Credit Agreement. On November 24, 2016, the original credit facility was replaced with an amended and restated Credit Facility. At this time, the covenants for the reduction of the borrowing base upon the issuance of debt or equity were removed. As a result of acquisition activity in early 2017, the Credit Facility was increased to \$125 million on April 27, 2017.

The current Credit Facility is comprised of: (a) a production facility of \$110 million; and (b) a working capital facility of \$15 million. Both facilities are available to Journey for general corporate and partnership purposes and for ongoing working capital requirements of Journey and the wholly-owned subsidiaries of Journey that are designated by Journey as "Borrowing Base Subsidiaries" (as defined in the Credit Agreement). As a consequence of the

lenders consent to the share buyback on February 2, 2018 and the issuance of the Promissory Notes (2018); the Credit Facility was amended on February 1, 2018 to include a requirement to obtain unanimous consent of the syndicate to borrow any amount in excess of \$100 million under the facilities until the currently ongoing annual borrowing base review is complete.

The current production and working capital facilities are available on a fully revolving basis until April 30, 2018 (the “**Term Out Date**”). The current facilities are set to expire one day after their maturity date, on May 1, 2018. However, an annual review of the Credit Facility is currently under way and the Credit Facility is expected to be renewed at or before maturity. The consideration of any request for an extension constitutes an independent credit decision which each lender retains the absolute and unfettered discretion to make. If the Term Out Date is not extended, the production facility will convert into a non-revolving facility. However, the working capital facility may remain available on a revolving basis if requested by Journey and consented to by the lender. On the Term Out Date of each lender, all undrawn amounts of such lender will be permanently reduced to the amounts outstanding to such lender on that date and repayments cannot be redrawn. All amounts outstanding under the production facility and the working capital facility will be repayable on the day that is one year after the Term Out Date and the commitments of such lender will be reduced to zero.

The borrowing base will be re-determined semi-annually based on, among other things, proved developed producing, proved developed non-producing and proved undeveloped reserves. If the redetermination results in a borrowing base shortfall, the undrawn credit will cease to be available to Journey. Journey will therefore need to eliminate the borrowing base shortfall by providing the "Agent" (as defined in the Credit Agreement) with other security or guarantees and/or effecting a permanent repayment of the outstanding amounts in excess of the new re-determined borrowing base. The Credit Agreement provides that the borrowing base is the amount not in excess of the aggregate amount of the commitments under the production facility and the working capital facility.

As security for the Credit Agreement, Journey provided: (a) a \$500 million fixed and floating charge demand debenture granting a fixed charge over certain assets named therein, a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property; and (b) an unlimited liability guarantee with respect to the obligations of each Borrowing Base Subsidiary to the swap lenders and the cash management lender.

The obligations of Journey under the Credit Agreement are guaranteed by 1332993 Alberta Ltd. and Journey Energy Partnership. 1332993 Alberta Ltd. and Journey Energy Partnership each provided a \$500 million fixed and floating charge demand debenture granting a fixed charge over certain assets named therein, a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property.

Promissory Notes

On October 6, 2016, Journey entered into a private placement with AIMCo for the issuance of 30,000 units at a price of \$1,000 per unit for aggregate proceeds of \$30 million. Each unit is comprised of: i) one promissory note with a par value of \$1,000 which bears interest at the rate of 7.65% per annum payable semi-annually; and ii) 165 Common Share purchase warrants. The Promissory Notes (2016) mature on October 31, 2020 and all or a portion of the principal amount outstanding thereunder may be repaid by Journey without penalty after two years from the date of issuance. Journey issued 4.95 million warrants in connection with the Promissory Note private placement with each warrant entitling the holder to purchase one Common Share at a price per share of \$2.75 until their expiry on October 7, 2018. On March 2, 2017, AIMCo exercised all of their warrants and gross proceeds of \$13.6 million were received by Journey.

On January 31, 2018, Journey entered into a second private placement with AIMCo for the issuance of 22,000 units at a price of \$1,000 per unit for aggregate proceeds of \$22 million. Each unit is comprised of: i) one promissory note with a par value of \$1,000 which bears interest at the rate of 7.65% per annum payable semi-annually; and ii) 105 Common Share purchase warrants. The Promissory Notes (2018) mature on September 30, 2022 and all or a portion of the principal amount outstanding thereunder may be repaid by Journey without penalty after two years from the date of issuance. Journey issued 2.31 million warrants in connection with the Promissory Note private placement

with each warrant entitling the holder to purchase one Common Share at a price per share of \$2.51 until their expiry on June 1, 2020.

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding Common Shares of the Company trade on the TSX under the symbol JOY. The following table sets out the high and low closing prices and average trading volume of Common Shares as reported by the TSX, for the periods indicated.

Period	TSX High Close	TSX Low Close	TSX Average Daily Trading Volume
2017			
January	\$3.25	\$2.80	7,702
February	\$3.30	\$2.55	20,381
March	\$3.05	\$2.72	20,364
April	\$2.95	\$2.54	5,330
May	\$2.69	\$2.00	14,186
June	\$2.20	\$1.70	26,905
July	\$2.07	\$1.75	11,874
August	\$2.00	\$1.64	7,449
September	\$2.09	\$1.70	147,436
October	\$2.30	\$1.85	18,302
November	\$2.28	\$1.68	18,243
December	\$1.85	\$1.65	13,475
2018			
January	\$1.93	\$1.72	18,030
February	\$1.90	\$1.63	4,166
March 1 – 22	\$1.95	\$1.43	7,292

Prior Sales

Set forth below are details of the securities issued by the Company for the periods indicated.

Date of Issuance	Number and Type of Securities ⁽¹⁾	Exercise Price per Security (\$) ⁽¹⁾	Aggregate Funds Received (\$)
March 2, 2017	4,950,000 Common Shares issued on exercise of warrants	\$2.75	\$13,612,500
April 28, 2017	2,076,125 Common Shares issued for asset purchases	\$2.89	6,000,000
May 1, 2017	185,009 Common Shares issued for banking advisory services	\$2.89	534,676
October 2, 2017	576,407 Common Shares issued on restricted stock unit and performance share unit vesting	Nil	Nil
October 11, 2017	1,020,000 Common Shares issued on flow through share private placement	\$2.20	\$2,244,000

Notes:

(1) The prices used are the average exercise price for all shares issued on this date.

During the year ended December 31, 2017, the securities that the Company issued, which were outstanding but not listed or quoted on a marketplace were an aggregate of 1,977,900 share based compensation awards. Of this amount there were: a) 80,000 share option, time-based awards entitling the holders to be issued 80,000 Common Shares; b) 1,592,900 restricted share unit, time-based awards entitling the holders to be issued 1,592,900 Common Shares or a cash equivalent at the Company's option; and c) 305,000 performance share unit, time-based awards entitling the holders to be issued a multiplier of their Common Share entitlement of between zero and two times; or a cash equivalent at the Company's option.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date hereof, none of the Company's securities are subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

Summary Information

The name, city of residence, and principal occupation during the last five years of each of the current directors and officers of the Company are set forth in the following table.

<u>Name, Province and Country of Residence</u>	<u>Position Held</u>	<u>Principal Occupation for the Last Five Years</u>	<u>Director Since</u>
Alex G. Verge Alberta, Canada	President and Chief Executive Officer and Director	Director and President and Chief Executive Officer of Journey since July 1, 2012. Prior thereto, Mr. Verge acted as director of Sword, the predecessor to Journey, and previous to that was the President and Chief Executive Officer of NuVista Energy Ltd. from July 2003 to November 2010.	July 1, 2012 ⁽²⁾
Howard Crone ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Chairman	Director of Cequence Energy Ltd. Executive Vice President and Chief Operating Officer of Cequence Energy Ltd. from September 2010 to August 14, 2014. Prior thereto, Mr. Crone was the President and Chief Executive Officer of Cequence Energy Ltd. from July 2009 to September 2010.	May 2, 2014
Glenn A. Hamilton ⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	Independent businessman. Formerly Corporate Advisor from May 2015 to July 2016 and prior thereto, Senior Vice President and Chief Financial Officer of Bonavista Energy Corporation; director of Ember Resources Inc. and Delphi Energy Corp.	May 31, 2017
Dana B. Laustsen ⁽¹⁾⁽⁵⁾ Alberta, Canada	Director	Independent businessman. Prior thereto, Executive Vice President and Chief Operating Officer of GLJ	January 16, 2014
Ryan Shay ⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	Independent businessman and director of Perpetual Energy Inc. Prior thereto, Mr. Shay was Managing Director, Head of Investment Banking at Cormark Securities until he retired in June of 2016. Mr. Shay was with Cormark since 1999.	May 24, 2017
Ruilin Zhang Hong Kong, China	Director	Executive director, chairman and chief executive officer of MIE Holdings Corporation since March 2008.	November 7, 2016

<u>Name, Province and Country of Residence</u>	<u>Position Held</u>	<u>Principal Occupation for the Last Five Years</u>	<u>Director Since</u>
Andrew S. Harper ⁽⁶⁾ Florida, USA	Director	Executive director of MIE Holdings Corporation since July 2013; prior thereto MIE's chief geologist since April 2010.	Resigned February 2, 2018
Gerald N. Gilewicz Alberta, Canada	Chief Financial Officer	Chief Financial Officer of Journey since September 4, 2012. Prior thereto, Mr. Gilewicz served as Chief Financial Officer of Vero Energy Inc. from November 2005 until August 2012.	N/A
Brett Boklaschuk Alberta, Canada	Vice President, Geosciences	Vice President, Geosciences of Journey since May 12, 2015; previously served as the Manager of Business Development at Journey from November 2012; prior thereto Senior Geologist at Nu Vista	N/A
Terry J. Moore Alberta, Canada	Vice President, Engineering	Vice President, Engineering of Journey since July 1, 2012 and previously served as Vice President, Engineering at Sword, the predecessor to Journey.	N/A
Anthony V. Polini Alberta, Canada	Vice President, Land	Vice President, Land of Journey since July 1, 2012 and previously served as the Vice President, Land at Sword, the predecessor to Journey, from July 14, 2010 to June 20, 2012. Prior thereto, Mr. Polini served as Vice President, Land for Outrider Energy Ltd. since 2004.	N/A

Notes:

- (1) Member of the Reserves Committee. Mr. Laustsen is the Chairman of the Reserves Committee.
- (2) Was also a director of Sword, the predecessor to Journey. Mr. Verge became a director of Sword on February 11, 2011.
- (3) Member of the Audit Committee. Mr. Hamilton is the Chairman of the Audit Committee.
- (4) Member of the Governance & Compensation Committee. Mr. Shay is the Chairman of the Governance & Compensation Committee.
- (5) Independent director.
- (6) Mr. Harper resigned from the Board on February 2, 2018.

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual meeting of Shareholders called for the election of directors, or on such other date as they may be removed according to the ABCA. Each director will devote the amount of time as is required to fulfill his obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

Directors and Officers – Biographies

The following are brief profiles of the directors and officers of the Company, including a description of each individual's principal occupation within the past five years.

Alex G. Verge – President and Chief Executive Officer and Director

Mr. Verge serves as the President and CEO of Journey. Mr. Verge has more than 30 years of experience in the oil and gas industry and has served as director and Chief Executive Officer and President of NuVista Energy Ltd. from July 2003 to November 2010 and served as a Vice President of Engineering of Bonavista Energy Company and Bonavista Energy Trust (formerly Bonavista Petroleum Ltd.) from January 1998 to June 2003. Prior to joining Bonavista Petroleum Ltd., he worked in the business development group at POCO Petroleum Ltd. and held various engineering positions at Rising Resources, Shell Canada Resources Limited, and Gulf Canada Resources Inc. Mr. Verge is a Member of the Association of Professional Engineers, Geologists & Geophysicists of Alberta. Mr. Verge received a Bachelor of Science degree in Chemical Engineering from the University of Toronto and a Masters of Engineering degree in Chemical and Petroleum Engineering from the University of Calgary.

Howard Crone – Director

Mr. Crone was the Executive Vice President and COO of Cequence Energy Ltd. from September 2010 to August 2014 and is currently a director. Prior thereto, Mr. Crone was the President and CEO of Cequence Energy Ltd. from July 2009 to September 2010. From May 2009 to July 2009, Mr. Crone was President of a privately held oil and gas company. Prior thereto, from July 2004 to May 2009, Mr. Crone was an independent businessman. Prior thereto, from August 2003 to June 2004, Mr. Crone was the Vice President and COO of Cequel Energy Inc., a public oil and gas company. Mr. Crone has been a director of numerous public companies during the past 10 years. Mr. Crone has a Bachelor of Science in Chemical Engineering from the University of Alberta and is also a member of the Association of Professional Engineers and Geoscientists of Alberta.

Dana B. Laustsen – Director

Mr. Laustsen served as Executive Vice President and Chief Operating Officer of GLJ. Mr. Laustsen joined GLJ in 1982 and he later became a principal officer of GLJ in 1994. Mr. Laustsen was employed by Texaco Canada Resources Ltd. for five years where he received his training in petroleum production and reservoir engineering. Mr. Laustsen's background includes detailed reservoir analyses of primary and enhanced recovery projects, SAGD evaluations, ultimate potential studies, merger and acquisition evaluations, fair market value appraisals and expert witness testimony. Mr. Laustsen has co-authored the water flood section of the Petroleum Society of CIMs Monograph, Determination of Oil and Gas Reserves (Monograph No. 1) and is an author of the Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 2 sections on decline analysis and EOR reserve booking guidelines. He has also published articles in the Journal of Canadian Petroleum Technology on decline analysis. Mr. Laustsen graduated from the University of Calgary in 1977 with a Bachelor of Science (Honors) in engineering and is a life member of the Association of Professional Engineers and Geoscientists of Alberta.

Ruilin Zhang – Director

Mr. Zhang is currently the Executive Director, Chairman and Chief Executive Officer of MIEH, an upstream oil and gas company operating onshore in China. Mr. Zhang is the founder and Chief Executive Officer of Far East Energy Ltd., Chairman and general manager of Jilin San Huan Petrochemical Co. Mr. Zhang has more than 20 years of experience in the oil and gas business, during which he acquired his experience as an oilfield worker and technician for PetroChina and as the chairman and general manager at a local oilfield services company, Jilin San Huan Petrochemical Co., Ltd. In May 2003, he founded Far East Energy Limited in Hong Kong, through which he acquired MI Energy Company from Microbes Inc. Mr. Zhang joined MIEH in September 2003 and has since been a director of the company. He is primarily responsible for overseeing Journey's overall strategies, planning and day-to-day management and operations. Mr. Zhang graduated from Jilin Petroleum College in 1995.

Ryan A. Shay – Director

Mr. Shay has in excess of 20 years of experience in the oil and gas industry and was Managing Director, Head of Investment Banking at Cormark Securities Inc. until he retired therefrom in June 2016. Mr. Shay was a member of Cormark's Executive Committee, Risk Committee, Capital Markets Committee, Compensation Committee, Compliance Committee and Audit Committee. Mr. Shay joined Cormark Securities Inc. in 1999 as an energy research analyst and was promoted to the Executive Committee of the firm in 2000. Mr. Shay transitioned careers from research to investment banking in 2007 and was promoted to Co-Head of Investment Banking in 2010 and Head of Investment Banking in 2013. Mr. Shay began his career in the investment industry with Peters & Co. Limited in 1996, earning his Chartered Financial Analyst designation in 1999 and was formerly with Deloitte & Touche in 1993, earning his Chartered Accountant designation in 1996. Mr. Shay received his Bachelor of Commerce from the University of Saskatchewan and graduated with Great Distinction. Mr. Shay also sits on the boards of Perpetual Energy Inc. (since 2017), and the National Board of JDRF (since 2011) and is on JDRF's Audit and Finance Committees.

Glenn A. Hamilton – Director

After 19 years Mr. Hamilton recently retired from Bonavista Energy Corporation where he had been Senior Vice President and Chief Financial Officer. From 1992 to 1993 Mr. Hamilton was Treasurer and Chief Financial Officer of Penn West Petroleum Ltd. Mr. Hamilton has over 35 years of accounting and finance experience in the oil and gas industry and is a Chartered Professional Accountant. He is the chair of the Audit Committee of Journey. In addition to his board responsibilities at Journey, Mr. Hamilton also serves on the boards of Delphi Energy Corp. and Ember Resources Inc.

Gerald N. Gilewicz – Chief Financial Officer

Mr. Gilewicz serves as the Chief Financial Officer of Journey. Mr. Gilewicz served as Chief Financial Officer and Vice President of Finance at Vero Energy Inc. from November 2005 to August 2012. Previous to that, Mr. Gilewicz served as Vice President of Finance and Chief Financial Officer of Devlan Exploration Inc. and Dual Exploration Inc. from September 1999 to November 2005. Prior to that, Mr. Gilewicz served as a Senior Manager at Deloitte & Touche LLP. He currently serves as an independent director of Golconda Resources Ltd. since December 16, 2008 and has also served as a director at Aveda Transportation & Energy Services Inc. from January 2009 to April 2012 and Primary Petroleum Company from June 2008 to September 28, 2009. Mr. Gilewicz is a Certified Management Accountant. Mr. Gilewicz received a Bachelor of Commerce in Accounting from the University of Saskatchewan.

Brett Boklaschuk – Vice President, Exploration

Since March 2015, Mr. Boklaschuk has served as Vice President, Exploration at Journey. Prior to that, he served as Manager, Business Development at Journey and as a Senior Geologist at Journey. In addition, Mr. Boklaschuk has served as a Senior Geologist-Montney at Nuvista Energy from 2008 to 2012. Mr. Boklaschuk also served in progressive senior technical roles at Venturion Natural Resources, Cork Exploration, Burlington Resources and Canadian Hunter Exploration. Mr. Boklaschuk received his Bachelor of Science degree from the University of Saskatchewan in 1995. He has a P.Geol from the Alberta Association of Engineers and Geoscientists of Alberta and is a member of Canadian Society of Petroleum Geologists.

Terry J. Moore – Vice President, Engineering

Mr. Moore serves as Vice President, Engineering of Journey. He previously served as Vice President, Operations and then as Senior Vice President, Engineering at Sword, the predecessor to Journey, from July 2007 to June 2012. Prior to Sword, he held various roles in public companies including Enerplus Resources Fund and private companies including PRL Resources Inc. Mr. Moore has a background in engineering, operations and planning. He received a Bachelor of Applied Science in Mechanical Engineering from the University of Toronto in 1981 and is a member of the Association of Professional Engineers and Geoscientists of Alberta.

Anthony V. Polini – Vice President, Land

Mr. Polini serves as Vice President, Land of Journey. Mr. Polini joined Outrider Energy Ltd. in 2004 and served as its Vice President, Land until early 2009 then continued as Vice President, Land for Vigilant Exploration until the end of 2009. From 1993 to 1997, Mr. Polini worked for PanCanadian Petroleum and Marathon Oil & Gas. Between 1997 and 2004 Mr. Polini served as a Senior Land Negotiator for Koch Petroleum Canada. Mr. Polini is a Senior Oil and Gas Land Negotiator and Acquisition and Divestment Professional and has 23 years of experience and a successful track record in value-added core area growth and asset trading transactions. Mr. Polini received his Bachelor of Commerce, Petroleum Land Management degree at the University of Calgary in 1992, and obtained his Masters of Business Administration from the Consortium Institute of Management and Business Analysis at Clemson University in 1993.

Committees of the Board of Directors

The Company currently has an Audit Committee, a Reserves Committee and a Governance & Compensation Committee.

Share Ownership by Directors and Officers

As a group and as at the date of this AIF, the Company's officers and directors beneficially own or exercise control or direction over, directly or indirectly, 4,779,414 Common Shares, representing approximately 12.4% of the issued and outstanding Common Shares. In addition, one of the directors controls a company that owns 3,655,798 Common Shares or approximately 9.5% of the outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except for one executive officer that, within the past ten years, voluntarily entered into an arrangement with a creditor (which was not part of any bankruptcy proceeding) with respect to the repayment of certain non-material outstanding amounts, and except as set out below, to the knowledge of the Company no director or executive officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Mr. Crone was a director of Virginia from April 14, 2015 to February 13, 2017. On February 13, 2017 Virginia announced that it had obtained an order from the Court of Queen's Bench of Alberta placing the company into receivership.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain officers and directors of the Company are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Board has adopted a written mandate and terms of reference for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing the Company's financial statements and the Company's public disclosure documents containing financial information and reporting on such review to the Board, ensuring the Company's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of the Company's external auditors, and reviewing, evaluating and approving the internal control and risk management systems that are implemented and maintained by management. A copy of the Audit Committee mandate is attached to this AIF as Appendix "C".

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee consists of Messrs. Hamilton (Chair), Shay and Crone. Each of the members of the Audit Committee is considered "financially literate" and "independent" within the meaning of NI 52-110.

The Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "*Directors and Officers*".

Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member reports to the Audit Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as may be established by the Audit Committee from time to time.

External Audit Service Fees

The following table summarizes the fees paid by the Company to its auditors, PricewaterhouseCoopers LLP, for external audit and other services during the period indicated.

Year	Audit Fees ⁽¹⁾	Audit -Related Fees ⁽²⁾	Tax Fees	All Other Fees
	(\$)	(\$)	(\$)	(\$)
2017	135,000	45,000	-	-
2016	116,000	45,000	-	-

Notes:

- (1) Represents the aggregate fees for services related to the audit of the annual financial statements.
- (2) Include aggregate fees billed for assurance and related services related to the review of the Company's quarterly financial statements.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except for a statement of claim filed on January 27, 2017 by an industry partner (Blackspur Oil Corp.), there are no legal proceedings Journey is or was a party to, or that any of its property is or was the subject of, during Journey's most recent financial year, nor are any such legal proceedings known to Journey to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of Journey. The action involving Blackspur Oil Corp. was discontinued by Consent Order dated April 19, 2017.

There are no: (a) penalties or sanctions imposed against Journey by a court relating to securities legislation or by a securities regulatory authority since Journey's inception; (b) other penalties or sanctions imposed by a court or regulatory body against Journey that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements Journey entered into before a court relating to securities legislation or with a securities regulatory authority since Journey's inception.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise set out herein, there is no material interest, direct or indirect, of any: (a) director or executive officer of Journey; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Journey's voting securities; or (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within three years before the date of this AIF that has materially affected or is reasonably expected to materially affect Journey.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that the Company has entered into within the last financial year, or before the last financial year which are still in effect, are the following:

1. the Credit Agreement;
2. the Promissory Notes (2016); and
3. the Promissory Notes (2018).

Copies of the foregoing may be viewed on the SEDAR website at www.sedar.com.

INTERESTS OF EXPERTS

As at the date hereof, the designated professionals of GLJ, the Company's independent reserves petroleum consultants, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

PricewaterhouseCoopers LLP are the external auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Company's management proxy circular which is expected to be dated April 2018 relating to the annual general meeting of Shareholders to be held on May 23, 2018. Additional financial information is provided in the financial statements and management's discussion and analysis of the Company for the year ended December 31, 2017, which are accessible on the SEDAR website at www.sedar.com.

**APPENDIX “A”
FORM 51-101F2
REPORT ON RESERVES DATA BY INDEPENDENT
QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Journey Energy Inc. (the “**Company**”):

1. We have evaluated the Company’s reserves data as at December 31, 2017. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2017, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “**COGE Handbook**”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as at December 31, 2017, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company’s board of directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves (County or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - \$000s)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	December 31, 2017	Canada	–	527,166	–	527,166

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants,
Calgary, Alberta, Canada,
February 26, 2018

“Original Signed By” “Todd J. Ikeda”

Vice President
GLJ Petroleum Consultants

**APPENDIX “B”
FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE**

Management of Journey Energy Inc. (“**Journey**”) is responsible for the preparation and disclosure of information with respect to Journey’s oil and natural gas activities in accordance with securities regulatory requirements. This information includes reserves data and resources data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2017 estimated using forecast prices and costs.

An independent qualified reserves evaluator has audited, evaluated and reviewed and reported on Journey’s reserves data. The reports of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the Board of Directors of Journey has:

- reviewed Journey’s procedures for providing information to the independent qualified reserves evaluator;
- met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- reviewed the reserves data and resources data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed Journey’s procedures for assembling and reporting other information associated with oil and natural gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved

- the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- the content and filing of this report.

Because the reserves data and resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) “*Alex G. Verge*”
Alex G. Verge
President and Chief Executive Officer

(signed) “*Dana B. Laustsen*”
Dana B. Laustsen
Director, and Chairman of the Reserves Committee

(signed) “*Terry Moore*”
Terry Moore
Vice President, Engineering

(signed) “*Howard Crone*”
Howard Crone
Director and member of the Reserves Committee

March 23, 2018

**APPENDIX “C”
AUDIT COMMITTEE MANDATE**

**JOURNEY ENERGY INC.
MANDATE AND TERMS OF REFERENCE**

Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of Journey Energy Inc. (“**Journey**” or the “**Company**”) to which the Board has delegated its responsibility for the oversight of the nature and scope of the annual audit, the oversight of management’s reporting on internal accounting standards and practices, the review of financial information, accounting systems and procedures, financial reporting and financial statements and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Journey and related matters;
2. To provide better communication between directors and external auditors;
3. To enhance the external auditor’s independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) directors of Journey or such greater number as the Board may determine from time to time and all members of the Committee shall be “independent” (as such term is used in National Instrument 52-110 — Audit Committees unless the Board determines that the exemption contained in NI 52 110 is available and determines to rely thereon.
2. The Board of Directors may from time to time designate one of the members of the Committee to be the Chair of the Committee.
3. All of the members of the Committee must be “financially literate” (as defined in NI 52 110) unless the Board determines that an exemption under NI 52 110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52 110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to Journey’s internal control systems:
 - identifying, monitoring and mitigating business risks; and
 - ensuring compliance with legal, ethical and regulatory requirements.

3. Review the annual and interim financial statements of Journey and related management’s discussion and analysis (“**MD&A**”) prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years’ financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses, MD&A, annual information forms (“**AIF**”) and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Journey’s disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. With respect to the appointment of external auditors by the Board:
 - recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Company to determine the auditors’ independence;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and pre approve any non-audit services to be provided to Journey or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.
6. Review with external auditors (and internal auditor if one is appointed by Journey) their assessment of the internal controls of Journey, their written reports containing recommendations for improvement, and management’s response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Journey and its subsidiaries.
7. Review risk management policies and procedures of Journey (e.g. hedging, litigation and insurance).

8. Establish a procedure for:
 - the receipt, retention and treatment of complaints received by Journey regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of Journey of concerns regarding questionable accounting or auditing matters.
9. Maintain and administer the Company's "whistleblower" policy.
10. Review and approve Journey's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of Journey.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Company. The Committee will also have the authority to investigate any financial activity of Journey. All employees of Journey are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at such compensation as established by the Committee and at the expense of Journey without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Company as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Company.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies

on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.

11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.