



MANAGEMENT'S DISCUSSION AND ANALYSIS – THIRD QUARTER, 2017

The following Management's Discussion and Analysis ("MD&A") was prepared on November 6, 2017 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three and nine months ended September 30, 2017 and 2016. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 along with the notes related thereto.

Additional information on the unaudited interim condensed consolidated financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in Management's Report to shareholders included with the financial statements. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Journey prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward-Looking Information

This MD&A contains forward-looking statements. More particularly, this MD&A contains statements concerning anticipated: (i) timing and completion of the acquisitions, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the acquisitions, (ii) potential development opportunities and drilling locations associated with the acquisitions, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the acquisitions, (iii) oil and natural gas production growth during 2017 (iv) debt and bank facilities, (v) capital expenditures, (vi) primary and secondary recovery potentials and implementation thereof, (vii) decline rates, (viii) funds from operations, (ix) operating and funds flow netbacks, (x) operating expenses, (xi) general and administrative expenses, and (xii) realization of anticipated benefits of acquisitions.

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

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

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

The following table outlines Journey's updated forward-looking information included in, and as of the date of this MD&A and has been updated from previous forward-looking information. The disclosure below is intended to provide the reader with the key assumptions that the forward looking information is based upon and the relevant risk factors that would be considered key in preventing Journey from achieving these results. This table also represents Journey's outlook on the balance of 2017:

2017 Annual Guidance	Key Assumptions	Relevant Risk Factors
Production volumes for 2017 between 10,000 and 10,200 boe/d	Completion of the budgeted drilling program and no significant 3 rd party facility or pipeline outages.	Well performance; 3 rd party outages; drilling success; and acquisitions & divestitures
2017 funds flow from operations of \$30 - \$32 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD \$50/bbl WTI; AECO natural gas prices of \$2.05/mcf; and using an average US/CAN exchange rate of \$0.77	WTI oil prices; Edmonton par differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
2017 exploration and development capital spending program of \$35 million plus \$33 million of net acquisitions	E&D program will focus mainly on drilling 13-14 net wells, waterflood projects and exploitation projects. A&D expenditures are only those completed as of this date.	Achieving the projected funds flow from operations; maintaining the existing banking credit facility
Net debt of between \$101 - \$103 million by the end of 2017	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Operating and transportation costs per boe of approximately \$13.15/boe and \$0.45/boe respectively	Achieving projected production volumes; no significant changes to cost structures; and no significant operational issues or unplanned workovers or turnarounds	Projected production volumes not achieved; third party oil processing capacities; operating cost increases due to inflation and/or improvement in industry conditions
Cash financing costs (interest and bank fees) costs of approximately \$1.50/boe	Bank prime rates and renewal fees remaining at current levels. No significant inflation above current levels	Bank prime rate increases beyond small increments
General & administrative costs of approximately \$2.75/boe (net of capitalized G&A and recoveries)	No significant changes to currently projected activity levels	G&A is reasonably predictable as they are mainly fixed costs such as rent and salaries
Income taxes – no current income tax is projected for 2017	Journey has an unutilized tax pool position of approximately \$681 million	Potential tax law changes; significant and sustained increase in commodity prices

Non-GAAP Measures

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

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

The Company considers funds flow from operations (also referred to as “funds flow”) a key performance measure as it demonstrates the Company’s ability to generate funds necessary to repay debt and to fund future growth through capital investment. Journey’s determination of funds flow from operations may not be comparable to that reported by other companies. The reconciliation between cash from operating activities and funds flow from operations can be found in the table below. Journey also presents funds flow per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited consolidated financial statements.

Funds flow is calculated as funds flow from operating activities before changes in non-cash working capital; transaction costs; and decommissioning costs. Funds flow per share is calculated as funds flow divided by the weighted-average number of shares outstanding in the period. Because funds flow and funds flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of operational performance than cash from operating activities. In addition, Journey excludes transaction costs from the definition of funds flow as these expenses are generally in respect of capital acquisition transactions and are of a non-recurring nature.

A reconciliation of funds flow from operations to the GAAP measured cash provided by operating activities is presented in the following table:

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Cash provided by operating activities	16,502	9,114	81	25,489	9,793	160
Add (deduct):						
Changes in non-cash working capital	(11,799)	(1,571)	651	(5,400)	8,947	(160)
Transaction costs	24	28	(14)	614	28	2,093
Decommissioning costs incurred	116	-	-	594	350	70
Funds flow from operations	4,843	7,571	(36)	21,297	19,118	11

Net debt is used to assess efficiency, liquidity and general financial strength of the Company. In addition, it is used as a comparison tool to assess financial strength in relation to Journey's peers. Net debt as at the end of each relevant period is as follows:

	September 30, 2017	December 31, 2016	% Change	September 30, 2016	% Change
Principal amount of bank indebtedness	63,050	50,879	24	79,964	(21)
Principal amount of promissory notes	30,000	30,000	-	-	-
Accounts receivable	(13,419)	(14,055)	(5)	(13,985)	(4)
Prepaid expenses	(3,451)	(1,614)	114	(2,963)	16
Accounts payable and accrued liabilities	26,801	21,256	26	21,566	24
Deferred lease obligation	404	450	(10)	466	(13)
Net debt	103,385	86,916	19	85,048	22

Abbreviations and BOE Advisory

<i>bbl</i>	Barrel
<i>bbls</i>	Barrels
<i>bbl/d</i>	Barrels per day
<i>boe</i>	Barrels of oil equivalent
<i>boe/d</i>	Barrels of oil equivalent per day
<i>gj</i>	Gigajoules
<i>Mbbls</i>	Thousand barrels
<i>MMBtu</i>	Million British thermal units
<i>NGL's</i>	Natural gas liquids
<i>Mcf</i>	Thousand cubic feet
<i>Mcf/d</i>	Thousand cubic feet per day
<i>Mboe</i>	Thousand boe

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet ("Mcf") to one (1) barrel. Use of the term "boe" may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel ("Bbl") of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion

conforms to the Canadian Securities Regulators' National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

Amounts

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

HIGHLIGHTS FROM THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

Financial

Journey realized funds flow of \$4,843 in the third quarter of 2017 bringing the year to date amount to \$21,297. This translates into \$0.10 per basic and \$0.09 per diluted share for the quarter and \$0.44 per basic and \$0.43 per diluted share for the nine months ended September 30. The net loss for the third quarter was \$6,059 (\$0.12 per basic and diluted share) and net income of \$5,820 for the nine months ended September 30 or \$0.12 per basic and diluted share). Journey exited the period with net debt of \$103,385. At the end of the quarter, Journey was drawn approximately \$63 million on its \$125 million syndicated bank facility.

Capital program

During the third quarter, the Company spent \$9,408 on its capital program (net of divestitures). The majority of this spending went to the drilling of 5 (5.0 net) wells including one in each of the Brooks, Crystal and Gilby areas and two in the Berrymoor area. Two of the wells drilled were placed on production during the quarter while the other three are in various stages of completion or evaluation.

Production

Production volumes increased by 23% to 10,088 boe/day in the third quarter of 2017 from 8,177 boe/day in the same quarter of 2016. For the nine month periods, production increased 11% to 9,774 boe/day from 8,781 boe/day. Production from the Gilby acquisition in the second quarter was the main driver behind the increase in production. This acquisition accounted for approximately 2,000 boe/d of the third quarter daily production rate.

Outlook

Oil prices have recovered somewhat since the end of the third quarter and now trade at approximately USD \$52/bbl for WTI. However, natural gas prices in Alberta started deteriorating in July with AECO at \$1.89/mcf and this decline has continued through October where AECO averaged under \$1.00/mcf. While 82% of revenues come from liquids (oil and NGL) production, the Company is being cautious about near term capital spending. Journey is still on track to meet its production guidance for 2017; however, the funds flow we have been previously forecasting will be lower than anticipated due to lower than expected natural gas prices and shut-in production throughout the summer caused by lengthy turnarounds and pipeline repairs. Low gas prices are mitigated with a solid gas hedging book and while natural gas accounts for approximately 55% of current production, it is contributing less than 20% to our sales revenue. For the fourth quarter, operating and transportation costs are expected to average in the \$14 per boe range with funds flow from operations anticipated to range between \$10 and \$12 million. Exploration and development capital expenditures remain unchanged for the year at approximately \$35 million, while net acquisition capital remains at \$33 million.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Aggregate production volumes increased 23% during the third quarter of 2017 to 928,127 boe as compared to 752,312 boe for the third quarter of 2016. The increase was mainly attributable to the acquisition Journey closed in April. This acquisition impacted the quarter by approximately 2,000 boe/d of which approximately 72% was attributable to natural gas volumes. For the nine month comparative periods, aggregate production volumes increased by 11% from 2,406,116 boe to 2,668,274 boe.

Aggregate Sales Volumes

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (Mcf)	3,081,619	2,067,794	49	8,670,604	6,572,640	32
Crude oil (Bbl)	342,560	368,961	(7)	1,063,485	1,155,908	(8)
Natural gas liquids (Bbl)	71,963	38,718	86	159,689	154,769	3
Barrels of oil equivalent (boe)	928,127	752,312	23	2,668,274	2,406,116	11

Daily Sales Volumes

Total daily sales volumes increased 23% to 10,088 boe/d for the third quarter of 2017 from 8,177 boe/d in 2016. The increase was mainly attributable to the asset acquisitions during the second quarter. For the nine month periods, daily sales volumes increased 11% to 9,774 boe/d for 2017 from 8,781 boe/d in 2016.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (Mcf/d)	33,496	22,476	49	31,760	23,988	32
Crude oil (Bbl/d)	3,723	4,010	(7)	3,896	4,219	(8)
Natural gas liquids (Bbl/d)	782	421	86	585	565	4
Barrels of oil equivalent (boe/d)	10,088	8,177	23	9,774	8,781	11

For the third quarter, natural gas production contributed 55% (2016 – 46%) of total volumes, with oil at 37% (2016 – 49%) and natural gas liquids at 8% (2016 – 5%). Of the total volumes for the nine months ended September 30, natural gas production contributed 54%, a 17% increase from 2016, with oil at 40% as compared to 48% in 2016 and natural gas liquids at 6% for both 2017 and 2016. The sale of 185 boe/d for the Sylvan Lake assets which was 83% liquids and the acquisition in Gilby/Niton of 2,000 boe/d (72% natural gas), both of which closed at the end of April, caused the product weighting to shift and now makes natural gas the dominant product sold in terms of boe equivalents.

Volumetric Product Mix

% of Aggregate Production	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas	55	46	20	54	46	17
Crude oil	37	49	(24)	40	48	(17)
Natural gas liquids	8	5	60	6	6	-
Total	100	100		100	100	

Benchmark Indices

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2016	2017	% Change
Crude Oil						
WTI (US\$/Bbl)	48.20	44.94	7	49.47	41.33	20
Edmonton light (CDN\$/Bbl)	57.15	54.19	5	60.57	50.14	21
Natural Gas						
NYMEX (US \$/Mmbtu)	2.96	2.79	6	3.05	2.34	31
AECO - Daily (CDN\$/Mcf)	1.61	2.36	(32)	2.36	1.87	26
Foreign Exchange						
Canadian to US dollar	1.2526	1.3051	(4)	1.3067	1.3228	(1)
US to Canadian dollar	0.7985	0.7663	4	0.7661	0.7568	1

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 32% lower at \$1.61/mcf in the third quarter of 2017 as compared to \$2.36/mcf during the same period in 2016. For the year to date, natural gas prices were 26% lower at \$2.36/mcf versus \$1.87 during 2016. The combination of the ability to export Alberta gas and the competition with U.S. natural gas being imported into Eastern Canada and the North East United States took its toll on gas prices during the quarter. The depressed natural gas prices have continued into October and Journey has made some adjustments to its gas marketing to reduce the volatility in the realized prices. Effective November 1, 2017 approximately 75% of the Company's natural gas production has been moved to a monthly index pricing instead of the daily index the Company was previously using. This will help smooth out the large low price swings that were experienced in August through October, and also better matches the natural gas hedges which used the monthly index as their base.

For WTI oil prices there was an increase of 7% in the third quarter of 2017 to \$48.20 USD/bbl. and 20% for the nine months ended September 30, 2017. The Canadian dollar was relatively stable with a 4% appreciation during the third quarter of 2017. Changes to the Canadian dollar vis a vis the US dollar are based on many factors. One of the more significant factors in the third quarter was the increase in the Bank of Canada prime interest rate by 0.5%. Despite this appreciation, Edmonton light oil prices managed to gain 5% in the second quarter as compared to 2016 prices and the excess worldwide supply overhang has shown some signs of improvement. The differentials between WTI and Edmonton par have been fairly consistent for 2017 in the mid-\$3 USD per barrel range. For the balance of 2017, Management is projecting the CAD\$ to remain in the current \$0.80 CDN/US range which is tending to mute the impact of recent WTI price increases. Oil prices have been varied but are currently in the \$55-\$56 USD/bbl range. Journey is currently using \$51 USD for average WTI prices in its planning for the remainder of 2017. Natural gas prices are expected to adjust seasonally and have been increasing into November as the winter sets in. Current AECO spot prices are in the mid-\$2/mcf range for November.

Realized Prices

Commodity prices realized by Journey were as follows:

a) Realized prices excluding hedging gains and losses:

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (\$/Mcf)	1.32	2.29	(42)	2.15	1.76	22
Crude oil (\$/Bbl)	49.72	45.62	9	52.47	39.87	32
Natural gas liquids (\$/Bbl)	28.71	25.20	14	31.07	22.17	40
Total (\$/boe)	25.29	29.98	(16)	29.90	25.38	18

The 42% decline in natural gas prices led the way to average corporate prices decreasing 16% during the third quarter of 2017. While natural gas prices were declining, Journey's realized oil price appreciated 9% to \$49.72/bbl in the third quarter compared to \$45.62/bbl in 2016. For the nine months ended September 30, 2017 Journey's average realized commodity prices increased by 18% to \$29.90/boe from \$25.38/boe in 2016. For the nine months ended September 30, 2017 realized natural gas prices have been significantly higher averaging \$2.15/mcf as compared to \$1.76/mcf in 2016. Likewise, oil prices were 32% higher throughout the first nine months of 2017 as compared to 2016. NGL prices have followed suit with oil prices and have been 40% higher in 2017 as compared to last year. For the remainder of 2017, Journey is planning for oil and gas prices to be consistent with the current future month strip levels.

b) Realized prices including hedging gains and losses:

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

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas (\$/Mcf)	1.99	2.29	(13)	2.43	1.76	38
Crude oil (\$/Bbl)	51.28	48.05	7	51.34	44.53	15
Natural gas liquids (\$/Bbl)	28.71	25.20	14	31.07	22.17	40
Total (\$/boe)	27.76	31.17	(11)	30.20	27.61	9

RISK MANAGEMENT ACTIVITIES

At September 30, 2017, the Company had the following derivative contracts in place:

Crude Oil:

Type	Volume bbls/d	Pricing point	Strike \$ per bbl (CDN)	Term	Fair value
Swap	1,000	WTI NYMEX	60.00	January 1, 2017 to December 31, 2017	(437)
Swap	500	WTI NYMEX	72.05	July 1, 2017 to December 31, 2017	334
Collar	1,000	WTI NYMEX	39.50/60.00/65.00	October 1, 2016 to March 31, 2018	(291)
Total oil derivative contracts fair value					(394)

Natural Gas:

Type	Volume GJ's/d	Pricing point	Strike \$ per GJ (CDN)	Term	Fair value
Collar	5,000	AECO 7a	\$2.40-2.85	November 1, 2016 to March 31, 2018	255
Swap	5,000	AECO 7a	\$3.00	January 1, 2017 to December 31, 2017	456
Swap	2,500	AECO 7a	\$3.28	January 1, 2018 to March 31, 2018	188
Swap	2,500	AECO 7a	\$2.45	April 1, 2018 to June 30, 2018	103
Swap	2,500	AECO 7a	\$2.45	July 1, 2018 to September 30, 2018	109
Swap	2,500	AECO 7a	\$2.62	October 1, 2018 to December 31, 2018	76
Swap	2,500	AECO 7a	\$3.14	October 1, 2017 to December 31, 2017	290
Swap	2,000	AECO 7a	\$3.18	October 1, 2017 to December 31, 2017	239
Swap	500	AECO 7a	\$3.18	October 1, 2017 to December 31, 2017	60
Swap	1,000	AECO 7a	\$3.46	January 1, 2018 to March 31, 2018	91
Swap	1,000	AECO 7a	\$2.55	April 1, 2018 to June 30, 2018	50
Swap	1,000	AECO 7a	\$2.54	July 1, 2018 to September 30, 2018	52
Swap	1,000	AECO 7a	\$2.66	October 1, 2018 to December 31, 2018	34
Swap	500	AECO 7a	\$3.12	July 1, 2017 to March 31, 2018	815
Total gas derivative contracts fair value					2,818
Aggregate derivative contracts fair value					2,424

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

\$000's	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Realized	2,291	897	820	5,380
Unrealized	(1,575)	1,153	15,162	(10,056)
Total	716	2,050	15,982	(4,676)

\$/boe	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Realized	2.47	1.19	0.31	2.24
Unrealized	(1.70)	1.53	5.68	(4.18)
Total	0.77	2.72	5.99	(1.94)

The change in the value of these contracts for the quarter ended September 30, 2017 resulted in a realized gain of \$2,291 and an unrealized loss of \$1,575. For the nine months ended September 30, there was a total gain of \$15,982, which was comprised of a realized portion of \$820 and an unrealized (or mark to market) gain of \$15,162. The realized gain in the third quarter as well as the year to date in 2017 was primarily attributable to natural gas dropping below the hedged floor amounts. At September 30, 2017 the estimated fair value of all commodity hedging contracts is a net asset of \$2,424.

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

derivatives. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels are as follows:

- a) Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- b) Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the marketplace from sources such as New York Mercantile exchange or the Natural Gas Exchange.
- c) Level 3 – inputs are less observable, unavailable or where the observable data does not support the majority of the instruments fair value.

A 10% change in commodity prices would have resulted in unrealized gains or losses on commodity contracts impacting net income by \$1,206.

Journey enters into commodity based derivative contracts to actively manage the risks associated with price volatility and thereby partially protect funds flows, which are used to fund both our capital program and dividend payments. The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey’s favour. Journey mitigates these risks by entering into risk management contracts for oil, natural gas and foreign exchange.

PETROLEUM AND NATURAL GAS (“P&NG”) SALES

In the third quarter of 2017, aggregate P&NG sales increased by 4% to \$23,471 as compared to \$22,553 for the same period in 2016. While average commodity prices decreased by 11% quarter to quarter, production volumes increased by 23% in the same time frame. For the nine months ended September 30, aggregate P&NG sales increased 31% to \$79,774 in 2017 from \$61,058 in 2016. For the nine month period, the increase in P&NG sales was primarily the result of a 31% increase in production volumes, but there was also a 9% increase in average commodity prices. Realized prices decreased for gas (13%); and increased for oil (7%) and natural gas liquids (14%) over the comparative quarters. For the nine month periods, prices increased for all products: gas (38%), oil (15%) and natural gas liquids (40%).

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas	4,371	4,745	(8)	19,015	11,536	65
Crude oil	17,034	16,832	1	55,798	46,091	21
Natural gas liquids	2,066	976	112	4,961	3,431	45
P&NG sales	23,471	22,553	4	79,774	61,058	31

P&NG Sales % Contribution	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Natural gas	19	21	(11)	24	19	26
Crude oil	73	75	(3)	70	76	(7)
Natural gas liquids	9	4	105	6	6	-
Total	100	100		100	100	

ROYALTIES

For the third quarter of 2017 total royalties were \$3,074 as compared to \$3,063 for the same period in 2016. On a per boe basis, the royalty rate decreased to \$3.31 in 2017 as compared to \$4.07 in 2016. As a percentage of revenue, the rate for the third quarter of 2017 was 13.1% or 4% lower than the 13.6% realized in 2016. The increase in the royalty percentage is primarily explained by higher oil prices.

For the nine months ended September 30, royalties were \$9,749 in 2017 as compared to \$6,642 for the same period in 2016. On a per boe basis, the royalty rate increased 33% to \$3.65 in 2017 as compared to \$2.76 from last year. As a percentage of revenue, the rate for 2017 was 12.2% or 12% higher than the 10.9% realized in 2016.

Journey is anticipating a corporate royalty rate of between 12% and 13% for the balance of 2017 based on the Company's internal forecast of oil and natural gas prices and the anticipated productivity of its wells. However, this could change significantly as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

\$	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Crown	1,435	1,272	13	4,102	2,543	61
Freehold/gross over-riding	1,639	1,791	(8)	5,647	4,099	38
Total royalties	3,074	3,063	-	9,749	6,642	47
Royalties (as a % of P&NG sales)	13.1	13.6	(4)	12.2	10.9	12

\$ / boe	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Crown	1.55	1.69	(8)	1.54	1.06	45
Freehold/gross over-riding	1.76	2.38	(26)	2.11	1.70	25
Total royalties	3.31	4.07	(19)	3.65	2.76	32

OPERATING EXPENSES

Operating expenses were \$13,500 or \$14.54 per boe for the third quarter in 2017 as compared to \$8,647, or \$11.50 per boe in 2016. Operating costs net of recoveries increased by 56% reflecting a combination of the 23% increase in produced volumes as well as numerous non-recurring turnaround, well workover, spill clean-up, and pipeline integrity projects that were undertaken during the quarter. For the nine months ended September 30, operating costs were \$36,664 or \$13.74 per boe in 2017 as compared to \$27,532, or \$11.44 per boe in 2016. During the third quarter of 2017 Journey incurred \$1,522 in relation to the non-recurring costs previously mentioned. Excluding these costs from the third quarter operating expenses, the expense per boe would have been \$1.64 lower or \$12.90 per boe. Similarly, the impact of the non-recurring costs from the current, as well as previous quarters would be a reduction of \$3,622 in aggregate or \$1.36 on a per boe basis. For the fourth quarter of 2017, Journey expects the per boe rate to average approximately \$12.00.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change %	2017	2016	Change %
Gross operating expenses	14,734	9,344	58	39,218	31,680	24
Less: expense recoveries	(1,234)	(697)	77	(2,554)	(4,148)	(38)
Expense per financial statements	13,500	8,647	56	36,664	27,532	33
Expense (\$ per boe)	14.54	11.50	26	13.74	11.44	20
Expense (as a % of P&NG sales)	57.5	38.3	50	46.0	45.1	2

TRANSPORTATION

Transportation expenses were \$377 for the third quarter of 2017, and represented 1.6% of P&NG sales for the period as compared to \$252 and 1.1% for 2016. The cost per boe averaged \$0.41 in the third quarter, which was 24% higher than the same period in 2016. For the nine months ended September 30, transportation expenses were \$1,245 for 2017 or 34% higher than \$929 for the comparable period in 2016. Aggregate costs were higher primarily due to higher produced volumes (23% higher volumes in the third quarter and 11% for the year to date). For the nine months ended September 30, the per boe basis costs were \$0.47 in 2017 or 21% higher than the \$0.39 incurred in 2016. The higher per boe rates experienced in the third quarter of 2017 reflect the higher rates associated with the newly acquired property in April. Journey is currently expecting the per boe rates for the rest of 2017 to be in the \$0.45 range. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change %	2017	2016	Change %
Transportation expense	377	252	50	1,245	929	34
Expense (\$ per boe)	0.41	0.33	24	0.47	0.39	21
Expense (% of P&NG sales)	1.6	1.1	45	1.6	1.5	7

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the third quarter of 2017, net G&A expense after recoveries, was 7% lower with the same quarter in 2016 at \$2,432 as compared to \$2,440. For the nine months ended September 30, 2017 net G&A expense was 11% lower at \$7,663 as compared to \$8,594 in 2016. On a per boe basis, Journey realized net G&A of \$2.62 for the third quarter of 2017, or 19% lower than the \$3.24 realized in 2016. This decrease in the per boe rate was mainly attributable to a 23% increase in production volumes in 2017 coupled with net G&A costs being flat with the same period in 2016. For the nine months ended September 30, net G&A was \$2.87 in 2017 or 20% lower than \$3.57 in 2016. For the fourth quarter of 2017 Journey expects its G&A to be approximately \$2.40 per boe based on currently forecast G&A costs and production levels.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change %	2017	2016	Change %
Gross expense	2,843	2,647	7	8,836	9,369	(6)
Less:						
Overhead recoveries	(104)	(17)	518	(320)	(126)	154
Capitalized G&A	(305)	(190)	61	(853)	(649)	31
Net expense per financial statements	2,432	2,440	7	7,663	8,594	(11)
Expense (\$ per boe)						
Gross expense	3.06	3.51	(13)	3.31	3.89	(15)
Net expense	2.62	3.24	(19)	2.87	3.57	(20)

FINANCE EXPENSE

Net finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion of the promissory notes and other bank charges. The cash expenses of interest and bank fees for the third quarter of 2017 increased by 7% to \$1,536 from \$1,437 in 2016. For the third quarter of 2017, the average bank debt outstanding was \$100,634 which was a 9% increase from \$92,078 for the comparable period in 2016. The increase in interest expense was primarily attributable to the higher costing interest bearing debt outstanding as compared to 2016 as well as the increased debt from the acquisition in the second quarter. The per boe rate decreased by 15% in the third quarter mainly because production volumes were 23% higher quarter over quarter. The effective interest rate on the outstanding debt for the quarter was essentially flat between the comparable quarters with the current effective rate being 6.1% while the rate in 2016 was 6.2%. For the year to date the effective rate in 2017 was 5.7% while the rate in 2016 was 5.0%. The higher costing term debt and the increase in bank prime rates in 2017 are accountable for the increased rate in the current year. On a per boe basis, cash finance expense was \$1.66 in the third quarter of 2017 as compared to \$1.96 for 2016, representing a 15% decrease period over period.

For the comparable nine month periods, cash finance expense for 2017 increased 10% to \$3,976 from \$3,623 in 2016. The average interest rate on outstanding bank debt increased to 5.7% in the first nine months of 2017 from 5.0% in 2016. On a per boe basis, cash finance expense was \$1.49 for 2017 as compared to \$1.51 for 2016, representing a 1% decrease.

For the balance of 2017 Journey expects the average debt outstanding to decrease as Journey plans on spending less than its funds flow and concentrates on strengthening the balance sheet during these periods of uncertain commodity prices.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Expense per financial statements	2,628	2,230	18	7,050	5,965	18
<u>Add/(Deduct) non-cash items:</u>						
Accretion on decommissioning liabilities	(976)	(753)	30	(2,742)	(2,342)	17
Accretion on promissory notes	(116)	-	-	(332)	-	-
Cash finance expense	1,536	1,477	4	3,976	3,623	10
<u>Add/(deduct) non-borrowing related items:</u>						
Finance income and other	-	(40)	-	(34)	(103)	(67)
Interest expense related to borrowings	1,536	1,437	7	3,942	3,520	12
Average debt outstanding	100,634	92,078	9	92,451	94,641	(2)
Average interest rate (%)	6.1	6.2	(2)	5.7	5.0	15
Cash finance expense (\$ per boe)	1.66	1.96	(15)	1.49	1.51	(1)

SHARE BASED COMPENSATION

Share based compensation expense was \$786 for the third quarter of 2017 as compared to \$704 in 2016. For the nine months ending September 30, the expense was \$2,187 for 2017, a decrease of 3% from the \$2,263 expensed in 2016. During the third quarter, the Company capitalized \$132 of share based compensation expense to property, plant and equipment as compared to \$191 in 2016. For the nine months ended September 30, 2017 the capitalized portion was \$392 compared to \$407 in 2016. The capitalization is attributable to technical staff directly related to exploration and development activities and is lower in 2017 due to reduced capital activity. The fair value of all stock options is amortized over the long term incentives vesting period.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Expense per financial statements	786	704	12	2,187	2,263	(3)
Expense (\$ per boe)	0.85	0.93	(9)	0.82	0.94	(13)

DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D increased from \$6,846 in the third quarter of 2016 to \$8,757 in 2017. The 28% increase primarily reflects the increased production volumes realized in 2017 as compared to 2016. For the quarter, and on a per boe basis, D&D was \$9.44 for 2017 as compared to \$9.10 in 2016, representing a 4% increase.

For the nine months ending September 30, aggregate D&D increased 17% from \$21,755 in 2016 to \$25,404 in 2017. On a per boe basis D&D was \$9.52 in 2017, a 5% increase from \$9.04 in 2016.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Depletion and depreciation (\$)	8,757	6,846	28	25,404	21,755	17
Expense (\$ per boe)	9.44	9.10	4	9.52	9.04	5

GAIN ON DISPOSITION OF ASSETS

During the nine months ended September 30, 2017 Journey sold two producing properties in the Brooks and Sylvan Lake areas. The dispositions resulted in a net gain of \$5,596 for the year to date.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Gain on disposition	-	25,684	(100)	5,596	25,684	(78)
\$ per boe	-	34.14	(100)	2.10	10.67	(80)

EXPLORATION AND EVALUATION (“E&E”) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed during the accounting period. During the three months ended September 30, 2017 Journey incurred an expense of \$567 which was 9% lower than the \$624 expensed in 2016. For the nine months ended September 30, 2017 the expense was \$1,843 as compared to \$2,893 in 2016. No impairments of E&E assets were realized in 2017.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
E&E expense	567	624	(9)	1,843	2,893	(36)
\$ per boe	0.61	0.83	(27)	0.69	1.20	(43)

TAXES

For the third quarter of 2017, there was a deferred income tax recovery of \$1,898 as compared to an expense of \$7,070 for the same period in 2016. On a per boe basis, the expense of \$9.40 in 2016 changed to a recovery of \$2.04. For the nine months ended September 30, the deferred tax expense for 2017 was \$3,113 as compared to \$2,186 for the same period in 2016. On a per boe basis, and for the nine month periods, the rate was 29% higher at \$1.17 in 2017 compared to \$0.91 in 2016. The recovery in the third quarter of 2017 was attributable the loss realized.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	2017	2016	2017	2016
Deferred tax expense (recovery)	(1,898)	7,070	(127)	3,113	2,186	42
(\$ per boe)	(2.05)	9.40	(122)	1.17	0.91	29

NETBACKS

The operating netback of \$7.03 per boe for the third quarter of 2017 decreased by 50% from \$14.08 for the same period in 2016. For the nine months ended September 30, the operating netback was \$12.04 per boe for 2017 which was a 12% increase from \$10.79 in 2016. The decrease in the third quarter 2017 operating netback was mainly attributable to the 21% decrease in average commodity prices and for the nine months year to date the prime reason for the decrease was the 26% increase in operating expenses. \$1.64 per boe of the third quarter operating expenses related to non-recurring workover, spill, turnaround and pipeline integrity costs.

The funds flow netback per boe for the third quarter of 2017 was 48% lower at \$5.22 compared to \$10.07 in 2016. While the realized hedging gains were 108% higher during the quarter and Journey realized cost efficiencies for G&A and finance expenses, this was not enough to offset the lower commodity prices and the higher operating expenses. For the nine month periods, the funds flow netback was virtually the same in both periods at \$7.99 in 2017 and \$7.95 in 2016. For the balance of 2017, the funds flow netbacks is expected to improve as higher average commodity prices and stable operating expenses are projected for the balance of the year.

After including the non-cash items the net loss for the third quarter of \$6.54 per boe was 127% lower than the \$24.44 per boe income realized in the third quarter of 2016.

For the nine months year to date in 2017 Journey realized net income of \$2.19 per boe compared to \$1.37 per boe of net income in 2016. The most significant item contributing to the net income in the year to date results is a \$5.68 per boe mark-to-market hedging gain.

(\$ per boe)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Realized price	25.29	29.98	(16)	29.90	25.38	18
Royalties	(3.31)	(4.07)	(19)	(3.65)	(2.76)	32
Operating expenses	(14.54)	(11.50)	26	(13.74)	(11.44)	20
Transportation	(0.41)	(0.33)	24	(0.47)	(0.39)	21
Operating	7.03	14.08	(50)	12.04	10.79	12
General and administrative	(2.62)	(3.24)	(19)	(2.87)	(3.57)	(20)
Finance expenses - cash	(1.66)	(1.96)	(15)	(1.49)	(1.51)	(1)
Realized gain (loss) on hedges	2.47	1.19	108	0.31	2.24	(86)
Funds flow	5.22	10.07	(48)	7.99	7.95	-
Unrealized gain (loss) on hedges	(1.70)	1.53	(211)	5.68	(4.18)	(236)
Share based compensation	(0.85)	(0.93)	(9)	(0.82)	(0.94)	(13)
Depletion and depreciation	(9.44)	(9.10)	4	(9.52)	(9.04)	5
Accretion	(1.18)	(1.00)	18	(1.15)	(0.97)	19
Gain on dispositions	-	34.14	(100)	2.10	10.67	(80)
Exploration & evaluation	(0.61)	(0.83)	(27)	(0.69)	(1.20)	(43)
Transaction costs	(0.03)	(0.04)	(25)	(0.23)	(0.01)	2,200
Deferred tax (expense) recovery	2.05	(9.40)	(122)	(1.17)	(0.91)	29
Net income (loss)	(6.54)	24.44	(127)	2.19	1.37	60

FUNDS FLOW AND NET INCOME

Funds flow from operations during the third quarter of 2017 was \$4,843, a decrease of 36% from \$7,571 realized in 2016. For the nine months ended September 30, funds flow from operations increased 11% from \$19,118 in 2016 to \$21,297 in 2017. The increase was significantly attributable to a 4% and 31% increase in P&NG sales for the third quarter and nine months ended September 30 respectively. The increase in PN&G revenue was primarily the result of both increases in production volumes (23% and 11% respectively for the three and nine month periods) but also significant realized hedging gains of \$2,291 in the third quarter and \$820 for the year to date.

There was a net loss of \$6,059 in the third quarter of 2017 as compared to \$18,383 of net income in 2016. The net loss was caused by a variety of factors but primarily was the result of declining natural gas prices and higher field operating costs. For the nine month period, the net income was \$5,820 in 2017 as compared with net income of \$3,279 in 2016.

During the third quarter of 2017, Journey realized a net loss per share of \$0.12 (basic share and diluted). Net income per share for the nine months was \$0.12 per basic and diluted share. This compares to net income of \$0.42 (\$0.41 per diluted share) for the three months ended September 30, 2016 and \$0.08 (\$0.07 diluted) per share for the nine months ended September 30, 2016.

Third quarter funds flow per share in 2017 was \$0.10 per basic and \$0.09 per diluted share which was lower than the \$0.17 per basic and diluted share amounts for the third quarter of 2016. For the nine months ended September 30, funds flow per share in 2017 remained flat at \$0.44 per basic and \$0.43 per diluted share in 2016.

Per share data	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Net income (loss)	(6,059)	18,383	(133)	5,820	3,279	77
Basic (\$/share)	(0.12)	0.42	(128)	0.12	0.08	49
Diluted (\$/share)	(0.12)	0.41	(129)	0.12	0.07	69
Funds flow	4,843	7,571	(36)	21,297	19,118	11
Basic (\$/share)	0.10	0.17	(41)	0.44	0.44	-
Diluted (\$/share)	0.09	0.17	(47)	0.43	0.43	-

CAPITAL EXPENDITURES

Journey spent \$9,651 on capital expenditures (before acquisitions/dispositions) during the third quarter of 2017 representing an increase of 229% from \$2,933 in 2016. Journey drilled 5 (5.0 net) wells during the third quarter including one in each of the Brooks, Crystal and Gilby areas and two in the Berrymoor area. Two of the wells drilled were placed on production during the quarter while the other three are in various stages of completion or assessment.

Total cash net capital expenditures for the year to date in 2017 were \$54,300 as compared to the net dispositions in the year to date for 2016 of \$2,746. 2016 was a year of retrenchment and conservative spending given the very challenging commodity price environment. While 2017 is still very challenging, Journey has resumed a much more normalized spending profile given the strengthening of oil prices. As of today's date, Journey is currently on track to spend \$67 million in total capital during the year.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
<u>Cash expenditures:</u>						
Land acquisitions and lease rentals	126	67	88	899	255	253
Geological and geophysical	41	-	-	1,096	3	Nm
Drilling and completions	6,514	1,614	304	13,634	2,511	443
Well equipment and facilities	2,664	1,053	153	5,929	3,553	67
Capitalized general and administrative	305	190	61	853	649	31
Exploration and development expenditures	9,650	2,924	230	22,411	6,971	221
Other expenditures	1	9	(100)	76	18	322
Total capital expenditures	9,651	2,933	229	22,487	6,989	222
PP&E acquisitions	-	457	(100)	35,522	4,541	682
PP&E dispositions	(243)	(13,480)	(100)	(6,633)	(13,480)	(51)
Acquisition of E&E assets	-	(796)	(100)	2,924	(796)	(467)
Net capital expenditures	9,408	(10,886)	(186)	54,300	(2,746)	2,077

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Non-cash expenditures:						
Capitalized share based compensation	132	191	(31)	392	407	(4)
Capitalized decommissioning liability	116	(1)	nm	594	350	70
Total capital expenditures	9,656	(10,696)	(190)	55,286	(1,989)	2,880

	Three months ended September 30,				Nine months ended September 30,			
	2017		2016		2017		2016	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development wells	5	5.0	1	1.0	11	10.0	2	2.0
Success rate (%)	60	60	100	100	82	80	100	100

LIQUIDITY AND CAPITAL RESOURCES

Corporate working capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. As new reserves are added and as the financing needs of the Company are expanded, Journey may apply for interim reviews of the credit facility with a view to upgrading it. The source of funding for the net cash capital expenditures was as follows:

Capital Program Funding	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Funds flow from operations	4,843	7,571	(36)	21,297	19,118	11
Transaction costs	(24)	(28)	(14)	(614)	(28)	2,093
Decommissioning costs	(116)	-	-	(594)	(350)	70
Change in non-cash working capital	13,577	2,335	481	4,133	(10,784)	138
Increase (decrease) in bank debt	(9,916)	(20,698)	(52)	9,702	(10,668)	191
Deferred financing charges	(84)	(66)	27	(165)	(34)	385
Decrease (increase) in cash in bank	3,338	-	-	2,634	-	-
Settlement of restricted share units	-	-	-	(11)	-	-
Normal course issuer bid	(2,210)	-	-	(2,230)	-	-
Issuance of share capital	-	-	-	20,148	-	-
Net capital expenditures	9,408	(10,886)	(186)	54,300	(2,746)	2,077

For the three months ended September 30, 2017, the Company funded its \$9,408 in net capital expenditures primarily from accounts payable; funds flow from operations; and with available cash in the bank.

The Company is dedicated to strengthening its balance sheet and a big part of that strategy is keeping bank debt to no more than 50-75% of the authorized credit facility. As at September 30, 2017 bank debt outstanding of approximately \$63 million, was approximately 50% of the total credit facilities of \$125 million. With commodity prices improving and good availability of its credit facility with the banks, the Company has made the conscious decision to pursue acquisitions that yield immediate production and funds flow while replenishing drilling inventory. The Company will alter its organic drilling program to make room for these acquisitions to ensure that the net debt does not increase beyond reasonable levels. The Company intends to fund its future capital programs through a combination of funds flows from operations as well as the available bank credit lines. Journey believes these resources to be sufficient to fund these expenditures.

Journey currently has a \$125,000 credit facility with a syndicate of banks. This facility is comprised of a production facility of \$110,000 and a working capital facility of \$15,000. The facilities are available on a revolving basis until April 30, 2018 which is the next renewal date. Following this date and at the request of Journey, the facilities will be available on a non-revolving basis for an additional one-year term, with a lump sum payment of all outstanding amounts due by the term maturity date of April 30, 2019.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the banks. The amount of available credit is based primarily upon the value of petroleum and natural gas assets. The most recent formal evaluation by our external engineers determined these reserve values as at December 31, 2016. The credit facility is subject to a semi-annual borrowing base review in October of each year. Journey has completed its semi-annual review and there were no changes to the existing \$125 million facility.

DECOMMISSIONING LIABILITIES (“DL”)

At September 30, 2017, Journey has recorded DL of \$167,621 (\$149,296 at December 31, 2016) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes several assumptions in respect of actual costs to abandon wells and facilities, and reclaim the surface access; the time frame in which such costs will be incurred; as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability has then been discounted at a risk-free interest rate of 2.4 per cent at September 30, 2017 (2.2 per cent at December 31, 2016).

Accretion charges of \$976 and \$2,742 for the three and nine months ended September 30, 2017 (\$753 and \$2,342 for the same periods in 2016), respectively, have been recognized in the statements of comprehensive income to reflect the increase in DL associated with the passage of time. Actual spending under Journey’s abandonment and reclamation program for the three and nine months ended September 30, 2017 was \$116 and \$594 (Nil and \$350 for the same periods in 2016), respectively.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey’s assets are funded entirely out of funds flow from operating activities. Journey’s Liability Management Rating is well within the Alberta Energy Regulator’s requirements, such that no deposits are required or expected to be required at September 30, 2017 and at the date of this MD&A.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three months ended September 30, 2017.

CONTRACTUAL OBLIGATIONS

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

(a) Transportation and office lease costs

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

	Total	2017	2018 - 2019	2020 - 2021	Thereafter
Natural gas transportation	1,679	190	1,112	344	33
Operating leases	12,199	489	3,879	3,763	4,068
Total	13,878	679	4,991	4,107	4,101

(b) Indemnifications

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

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SUBSEQUENT EVENTS

On October 11, 2017 Journey completed a private placement for 1,020,000 common shares issued on a flow through basis at a price of \$2.20 per share. The Company must incur qualifying Canadian Development Expenses in the amount of \$2,244 by December 31, 2017.

In the first of November, 2017 Journey entered into the following derivative contracts for WTI oil:

Trade date	Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Duration
November 1, 2017	Swap	1,500	WTI NYMEX	C\$69.50	January 1, 2018 to December 31, 2018
November 3, 2017	Swap	1,000	WTI NYMEX	C\$71.05	December 1, 2017 to December 31, 2017
November 3, 2017	Swap	1,000	WTI NYMEX	C\$71.00	January 1, 2018 to March 31, 2018

SHARE CAPITAL

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

(000's)	November 6, 2017	September 30, 2017	December 31, 2016
Common shares outstanding	51,241	49,644	43,703
Options, warrants, restricted share units and performance share units	7,137	6,341	6,382
Fully diluted shares	58,378	55,985	50,085
Weighted average common shares			
Basic	N/A	50,863	43,632
Diluted	N/A	51,380	43,632

During 2017 Journey issued 7,211 shares. 4,950 were issued upon the exercise of warrants in March while 2,261 were issued as part of the consideration for an asset acquisition as well as the advisory fees related thereto in

April. 1,270 shares were repurchased during the year pursuant to the Company's normal course issuer bid including 1,260 purchased in September at a price of \$1.70 per share. On October 11, 2017 Journey issued 1,020 shares pursuant to a flow through share private placement at a price per share of \$2.20. The performance share units included in the fully diluted number in the above table assumes a multiplier of one (1) times for their conversion into common shares.

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the eight most recently completed quarters:

	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Production (boe/d)	10,088	10,194	9,027	8,505
Average prices realized (\$/boe, excluding hedging)	25.29	31.92	32.85	33.46
Petroleum and natural gas sales	23,471	29,613	26,690	26,181
Net income (loss)	(6,059)	7,959	3,920	49,314
Basic – per share (\$/share)	(0.12)	0.16	0.09	1.13
Diluted – per share (\$/share)	(0.12)	0.16	0.09	1.13
Funds flow	4,843	9,708	6,746	8,354
Basic – per share (\$/share)	0.10	0.19	0.15	0.19
Diluted – per share (\$/share)	0.09	0.19	0.15	0.19
Total assets	532,161	554,933	489,473	484,016
Net capital expenditures	9,408	34,477	10,415	9,708
Long term financial liabilities	195,070	211,038	179,315	177,045
Net debt	103,385	96,554	77,416	86,916
Dividends paid	-	-	-	-

	Jun 30, 2016	Jun 30, 2016	Mar 31, 2016 ⁽¹⁾	Dec 31, 2015
Production (boe/d)	8,640	8,640	9,533	9,593
Average prices realized (\$/boe)	26.01	26.01	20.81	28.33
Petroleum and natural gas sales	20,450	20,450	18,055	25,008
Net income (loss)	(9,714)	(9,714)	(5,390)	38,586
Basic – per share (\$/share)	(0.22)	(0.22)	(0.12)	0.89
Diluted – per share (\$/share)	(0.22)	(0.22)	(0.12)	0.86
Funds flow from operations	8,218	8,218	3,329	9,527
Basic – per share (\$/share)	0.19	0.19	0.08	0.22
Diluted – per share (\$/share)	0.19	0.19	0.08	0.21
Total assets	471,571	471,571	455,389	452,116
Net capital expenditures	4,421	4,421	3,719	8,555
Long term financial liabilities	-	-	-	-
Net debt	103,477	103,477	107,019	106,534
Dividends paid	-	-	-	784

Note 1: The March 31, 2016 results have been revised to correct an overstatement of operating expenses by \$2,184.

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

impacted by production levels and the volatility of commodity pricing. In addition, royalties are affected by the underlying commodity pricing.

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

- During the third quarter of 2017 production volumes were 10,088 boed compared to second quarter volumes of 10,194. Two newly drilled wells were placed on production in the quarter and this was enough to stabilize the declines on existing corporate production. Average commodity prices were lower than in the second quarter at \$25.29/boe as compared to \$31.92/boe. Natural gas prices took a sharp downward turn in the quarter and averaged only \$1.32/mcf (excluding hedging gains) from \$2.70/mcf in the second quarter. Funds flow from operations was \$4,843 in the third quarter as compared to \$9,707 in the second quarter. Journey drilled 5 (5.0 net) wells in the quarter with net cash capital spending at \$9,408.
- During the second quarter of 2017 saw an increase of 13% in its daily production to 10,914 boe/d from the first quarter. A significant portion of this increase to production came from the acquisition of 2,000 boe/d (72% gas) on April 28. Average commodity prices were relatively flat from the first quarter as Journey realized \$31.92 per boe as compared to \$32.85 in the first quarter. Drilling was limited to 1 (1.0 net) well in the quarter as the Company chose to pay down the debt incurred on the acquisition. Funds flow from operations was \$9,707 in the second quarter as compared to \$6,747 in the first quarter.
- Realized commodity prices were stable at \$32.85 per boe compared to \$33.46 per boe in the fourth quarter. Attributable to this stability, the Company drilled 4 (3.0 net) wells in the first quarter of 2017. In addition, Journey took advantage of the uncertain oil and gas market to increase its interest in the Gilby and Crystal areas with \$2,759 in acquisitions. The Company entered into an agreement to acquire 2,000 boe/d of long life shallow decline natural gas assets contiguous with one of Journey's core areas. The infrastructure included with this acquisition gives Journey a significant processing and transportation footprint in Gilby and Niton. The operating netback continued to improve to \$14.84 per boe or a 39% increase from the fourth quarter. Production volumes were 6% higher in the quarter as the volumes from new wells drilled in the quarter came on-line.
- Commodity prices continued to improve in the fourth quarter of 2016 as the combination of US election results and the new OPEC agreement in November both had positive impact on oil prices in particular. Average commodity prices increased 12% in the fourth quarter to average \$33.46/boe. Journey's operating netback improved by 18% to \$16.60/boe due to the combination of higher prices and lower operating costs. Journey finished its coal bed methane recompletion program during the quarter where in excess of 300 net wells were recompleted for CBM production. The result was an increase of approximately 1,100 boe/d to gas production with very low incremental costs. The full impact of this production will be realized in 2017. In addition, Journey drilled 5 (4.1 net) wells. Two of these wells were not completed until mid-way through the first quarter of 2017 as the market for completion services with the service companies is becoming tighter.
- Commodity prices showed signs of recovery during the third quarter of 2016 as Journey average commodity prices were \$29.98 as compared to \$26.01 in the second quarter. Leading the way was a 76% increase in realized natural gas prices from the first quarter, while oil and NGL prices were fairly stable quarter to quarter. Journey concentrated on debt reduction and consequently spent only \$3,390 in capital during the quarter while disposing of assets for net proceeds of \$14,276. Journey drilled one well in the Brooks area during the quarter. Due to the limited drilling, and the disposition of assets, the Company's production declined from 8,640 boe/d in the second quarter to 8,177 boe/d in the third quarter. Journey's coal bed methane recompletion program for its 300 net wells in the Countess area commenced during the quarter and the additional gas production helped to mitigate the declines and the impact on reported production volumes from the dispositions. The recompletion program is expected to continue into the fourth quarter and will add incremental gas volumes.
- The second quarter of 2016 saw average Journey commodity prices appreciate by 25% from the first quarter. Leading the way was a 43% increase in realized oil prices and a 23% increase in NGL prices. The price appreciation coupled with the cost savings strategies; this led to an increase in funds flow from \$3,329 in the first quarter to \$8,218 in the third quarter. Journey concentrated on debt reduction and

consequently spent only \$965 in capital during the quarter. Journey did not drill any wells in the quarter. Due to the lack of drilling, the Company's production declined from 9,533 boe/d in the first quarter to 8,640 boe/d in the third quarter. Towards the end of the third quarter the Company embarked on a strategic acquisition and divestiture program, which when fully implemented in August are expected to yield better operating cost synergies going forward.

- The first quarter of 2016 experienced further declines in commodity prices across all product types. On average realized prices were 32% lower than the previous quarter. Capital spending was reduced to maintenance capital and the drilling of 1 (1.0 net) commitment well in Skiff. Total capital spent in the quarter was \$3,719. The reduced capital program had minimal impact on production levels compared to the fourth quarter of 2015 with production coming in at 9,533 boe/d as compared to 9,593 in the fourth quarter of 2015. Declines will start having their impact in the third quarter. The realized funds flow in the quarter was \$3,329 as a result of the depressed commodity prices.
- In the fourth quarter of 2015, production volumes decreased by 2% or 193 boe per day to 9,593 boe per day from 9,786 boe per day the third quarter. During the quarter, average realized commodity prices decreased by \$3.45 per boe or 11%. Combined, this resulted in a decrease to P&NG sales of 13% or \$3,609 from the previous quarter. Operating netback per boe was 18% higher than Q3, due to a combined 26% decrease in operating costs and royalties more than offsetting reduced P&NG sales. As a result, funds flow netback per boe was 8% higher over the previous quarter. There were five (3.1 net) wells drilled during the fourth quarter as compared to five (4.4 net) wells in the third quarter.
- In the third quarter of 2015, production volumes decreased by 9% or 823 boe per day from the third quarter of 2015. Average realized commodity prices decreased by \$4.81 per boe resulting in a 20% decrease to P&NG sales of \$6,712 from the previous quarter. Operating netback per boe was 32% lower than Q2, primarily due to decreased realized commodity prices. This resulted in a 34% lower funds flow netback per boe from the previous quarter. There were five (4.4 net) wells drilled during the third quarter as compared to no new wells in the third quarter. During the quarter, pursuant to the Normal Course Issuer Bid, 1,267 common shares of the Company were purchased and retired for a total cash consideration of \$2,133.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three months ended September 30, 2017 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2016.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2016 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2016 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The December 31, 2016, audited consolidated financial statements are available on SEDAR at www.sedar.com.

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

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing the interim Consolidated Financial Statements for the period ended September 30, 2017. The following provides an update to the disclosure in the annual Consolidated Financial Statements for the year ended December 31, 2016:

On May 28, 2014, the IASB issued IFRS 15, "*Revenue From Contracts With Customers*" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard may be applied retrospectively or using a modified retrospective approach. We are currently evaluating the impact of adopting IFRS 15 on the Consolidated Financial Statements and plan to adopt the standard for the year ended December 31, 2018.

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

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Journey is planning to apply IFRS 16 on January 1, 2019. The Company is assessing the impact of adopting IFRS 16 and will oversee changes to accounting systems, processes and internal controls. The estimated time and effort necessary to develop and implement required changes (including the impact to information technology systems) extends into 2018. Although the transition approach on adoption has not yet been determined, it is anticipated that the adoption of IFRS 16 will have a material impact on the Consolidated Balance Sheets.

RISK FACTORS AND RISK MANAGEMENT

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

Commodity Price Risk

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

The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favour. Journey mitigates these risks by entering mainly into collar transactions that give acceptable ranges of prices and furthermore by dealing with its chartered banks as the primary counterparty.

Foreign Exchange Risk

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

Credit Risk

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

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. On a regular basis, the Company assesses the potential for bad debts associated with these parties and provides for accordingly.

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

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

Credit Facility Risk

The Company currently has a revolving bank credit facility of \$125,000. The facility is a 365 day revolving facility from a syndicate of lenders with a term-out date of April 30, 2018. The maturity date may, at the request of the Company and with the consent of the lenders, be extended until April 30, 2019. There is a risk that the facility may not be renewed for the same amount or under the same or similar terms to what currently exists. The credit facilities are secured by a \$500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. Journey is subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all such covenants as at September 30, 2017. The credit facility contains customary restrictions on the disposition of assets and the granting of security, as well as on the making of distributions if there is a default under the facility.

Access to Capital Markets

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

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

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs are decreasing each year

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

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

Administrative Risks

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

Competition

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

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The Alberta government has recently announced changes to its royalty structure framework effective January 1, 2017. In general, the changes appear not to be financially onerous but the Company will continue to monitor and assess as the details become known. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is well above this limit and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the interim period ending September 30, 2017, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Management of Journey, including the CEO and CFO, has evaluated the effectiveness of the Corporation's ICFR as at September 30, 2017. Based on that evaluation, the CEO and CFO have concluded that the ICFR are effective as of the end of the interim period, in all material respects.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the third quarter of 2017.

The September 30, 2017 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.