

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

	Note	September 30, 2017	December 31, 2016
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		-	1,584
Accounts receivable		13,419	14,055
Prepaid expenses and deposits		3,451	1,614
Derivative contracts	16(b)	2,314	-
Total current assets		19,184	17,253
Property, plant and equipment	4	376,644	329,882
Exploration and evaluation assets	5	12,446	9,991
Derivative contracts	16(b)	110	-
Deferred tax asset		123,777	126,890
Total assets		532,161	484,016
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Bank indebtedness and bank debt	7	62,894	52,463
Accounts payable and accrued liabilities		26,801	21,256
Deferred lease obligation		62	62
Derivative contracts	16(b)	-	11,304
Decommissioning liabilities	9	1,169	2,025
Total current liabilities		90,926	87,110
Promissory notes	8	28,276	27,953
Deferred lease obligation		342	388
Derivative contracts	16(b)	-	1,434
Decommissioning liabilities	9	166,452	147,271
Total liabilities		285,996	264,156
<b>EQUITY</b>			
Share capital	10	380,955	368,428
Contributed Surplus		34,662	24,628
Warrants	11	-	2,076
Deficit		(169,452)	(175,272)
Total equity		246,165	219,860
Total liabilities and equity		532,161	484,016
Commitments	18		
<i>See accompanying notes.</i>			

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

**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Comprehensive Income (Loss)****For the three and nine months ended September 30, 2017 and 2016***(unaudited) (in thousands of Canadian dollars, except per share data)*

	Note	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
<b>REVENUE</b>					
Petroleum and natural gas sales		<b>23,471</b>	22,553	<b>79,774</b>	61,058
Royalties		<b>(3,074)</b>	(3,063)	<b>(9,749)</b>	(6,642)
Gain (loss) on derivative contracts	16(b)	<b>717</b>	2,050	<b>15,982</b>	(4,676)
Net Revenue		<b>21,114</b>	21,540	<b>86,007</b>	49,740
<b>EXPENSES</b>					
Operating		<b>13,500</b>	8,647	<b>36,664</b>	27,532
Transportation		<b>377</b>	252	<b>1,245</b>	929
General and administrative		<b>2,432</b>	2,440	<b>7,663</b>	8,594
Share based compensation	12	<b>786</b>	704	<b>2,187</b>	2,263
Exploration and evaluation	5	<b>567</b>	624	<b>1,843</b>	2,893
Gain on disposal of assets		-	(25,684)	<b>(5,596)</b>	(25,684)
Depletion and depreciation	4	<b>8,757</b>	6,846	<b>25,404</b>	21,755
Transaction costs		<b>24</b>	28	<b>614</b>	28
Finance expenses	13	<b>2,628</b>	2,230	<b>7,050</b>	5,965
Total expenses		<b>29,071</b>	(3,913)	<b>77,074</b>	44,275
<b>NET (LOSS) INCOME BEFORE TAXES</b>		<b>(7,957)</b>	25,453	<b>8,933</b>	5,465
<b>TAXES</b>					
Deferred income tax (recovery) expense	14	<b>(1,898)</b>	7,070	<b>3,113</b>	2,186
<b>NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME</b>		<b>(6,059)</b>	18,383	<b>5,820</b>	3,279
<b>NET (LOSS) INCOME PER SHARE</b>					
	15				
Basic		<b>(0.12)</b>	0.42	<b>0.12</b>	0.08
Diluted		<b>(0.12)</b>	0.41	<b>0.12</b>	0.07

*See accompanying notes.*

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

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

	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance, January 1, 2016	368,254	21,439	(227,865)	161,828
Comprehensive income	-	-	3,279	3,279
Share based compensation	-	2,670	-	2,670
Balance, September 30, 2016	368,254	24,109	(224,586)	167,777

**JOURNEY ENERGY INC.****Condensed Consolidated Interim Statement of Cash Flows** *(unaudited)***For the three and nine months ended September 30, 2017 and 2016***(in thousands of Canadian dollars)*

	Note	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>THE FOLLOWING ACTIVITIES:</b>					
<b>OPERATING</b>					
Net (loss) income		<b>(6,059)</b>	18,383	<b>5,820</b>	3,279
Adjustments for:					
Unrealized loss (gain) on derivative contracts	16(b)	<b>1,574</b>	(1,153)	<b>(15,162)</b>	10,056
Share based compensation	12	<b>786</b>	704	<b>2,187</b>	2,263
Depletion and depreciation	4	<b>8,757</b>	6,846	<b>25,404</b>	21,755
Gain on disposal of assets		-	(25,684)	<b>(5,596)</b>	(25,684)
Accretion of decommissioning liabilities	9	<b>976</b>	753	<b>2,742</b>	2,342
Accretion of promissory notes	8	<b>116</b>	-	<b>332</b>	-
Deferred income tax (recovery) expense	14	<b>(1,898)</b>	7,070	<b>3,113</b>	2,186
Exploration and evaluation expense	5	<b>567</b>	624	<b>1,843</b>	2,893
Decommissioning costs incurred	9	<b>(116)</b>	-	<b>(594)</b>	(350)
Changes in non-cash working capital	17(a)	<b>11,799</b>	1,571	<b>5,400</b>	(8,947)
Total cash flow provided by operating activities		<b>16,502</b>	9,114	<b>25,489</b>	9,793
<b>FINANCING</b>					
Changes in bank debt		<b>(10,000)</b>	(7,537)	<b>9,537</b>	(7,537)
Settlement of restricted share units		-	-	<b>(11)</b>	-
Normal course issuer bid		<b>(2,210)</b>	-	<b>(2,230)</b>	-
Issuance of share capital	10	-	-	<b>14,148</b>	-
Changes in non-cash working capital	17(a)	<b>84</b>	66	<b>(165)</b>	34
Total cash flow (used in) provided by financing activities		<b>(12,126)</b>	(7,471)	<b>21,279</b>	(7,503)
<b>INVESTING</b>					
Additions to property, plant and equipment	4	<b>(8,846)</b>	(2,835)	<b>(20,858)</b>	(6,713)
Additions to exploration and evaluation assets	5	<b>(760)</b>	(63)	<b>(1,624)</b>	(258)
Additions to administrative assets	4	-	(9)	<b>(75)</b>	(18)
Acquisition of property, plant and equipment and exploration and evaluation assets		<b>198</b>	(601)	<b>(32,093)</b>	(4,659)
Disposition of property, plant and equipment and exploration and evaluation assets		-	14,394	<b>6,350</b>	14,394
Changes in non-cash working capital	17(a)	<b>1,694</b>	698	<b>(1,102)</b>	(1,871)
Total cash flow (used in) provided by investing activities		<b>(7,714)</b>	11,584	<b>(49,402)</b>	875
<b>NET (DECREASE) INCREASE TO CASH (BANK INDEBTEDNESS)</b>		<b>(3,338)</b>	13,227	<b>(2,634)</b>	3,165
<b>CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD</b>		<b>2,288</b>	(10,750)	<b>1,584</b>	(688)
<b>CASH (BANK INDEBTEDNESS), END OF PERIOD</b>		<b>(1,050)</b>	2,477	<b>(1,050)</b>	2,477

Supplementary cash flow information

17 (b)

*See accompanying notes.*

**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2017 and 2016**  
*(thousands, except per share data)*

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**1. INCORPORATION AND NATURE OF BUSINESS**

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

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

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

**2. BASIS OF PRESENTATION**

These condensed consolidated interim financial statements, the "Financial Statements", including prior year comparative information, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), that are applicable to interim financial statements. These Financial Statements have been prepared following the same accounting policies and method of computation as the audited annual consolidated financial statements for the year ended December 31, 2016. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended September 30, 2017 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on November 6, 2017.

**3. SIGNIFICANT ACCOUNTING POLICIES**

During the nine months ended September 30, 2017 the Company did not adopt any new or amended accounting standards or interpretations.

Future Changes in Accounting Standards

There were no new or amended accounting standards or interpretations issued during the period ended September 30, 2017 that will affect the Company's future reporting periods. A summary of accounting standards and interpretations that will have an impact on future reporting periods of the Company are described in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2016.

4. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Administrative	Total
Balance, January 1, 2016	1,399,327	4,189	1,403,516
Additions	15,730	18	15,748
Acquisition of property, plant and equipment	10,803	-	10,803
Changes in decommissioning obligations	(5,408)	-	(5,408)
Capitalized share-based compensation	535	-	535
Dispositions of property, plant and equipment	(261,729)	-	(261,729)
Transfer from exploration and evaluation assets	133	-	133
<b>Balance, December 31, 2016</b>	<b>1,159,391</b>	<b>4,207</b>	<b>1,163,598</b>
Additions	20,858	75	20,933
Acquisition of property, plant and equipment	47,970	-	47,970
Changes in decommissioning obligations	9,235	-	9,235
Capitalized share-based compensation	392	-	392
Disposition of property, plant and equipment	(18,416)	-	(18,416)
Transfer from exploration and evaluation assets	8	-	8
<b>Balance, September 30, 2017</b>	<b>1,219,438</b>	<b>4,282</b>	<b>1,223,720</b>

	Petroleum and natural gas properties	Administrative	Total
<b>Accumulated depletion, depreciation and impairment losses</b>			
Balance, January 1, 2016	(1,136,196)	(3,610)	(1,139,806)
Provision for the year	(27,833)	(175)	(28,008)
Disposals	253,052	-	253,052
Impairment	(22,347)	-	(22,347)
Impairment reversal/change in estimate	103,393	-	103,393
<b>Balance, December 31, 2016</b>	<b>(829,931)</b>	<b>(3,785)</b>	<b>(833,716)</b>
Provision for the period	(25,293)	(111)	(25,404)
Disposals	12,044	-	12,044
<b>Balance, September 30, 2017</b>	<b>(843,180)</b>	<b>(3,896)</b>	<b>(847,076)</b>

	Petroleum and natural gas properties	Administrative	Total
<b>Carrying Amounts, as at</b>			
January 1, 2016	263,131	579	263,710
December 31, 2016	329,460	422	329,882
<b>September 30, 2017</b>	<b>376,258</b>	<b>386</b>	<b>376,644</b>

Future development costs on proved plus probable undeveloped reserves of \$200,490 (December 31, 2016 - \$166,915) were included in the depletion calculation. During the period ended September 30, 2017, the Company capitalized \$853 (December 31, 2016 - \$1,049) in salaries, wages and benefits, and \$392 (December 31, 2016 - \$535) of share based compensation that was directly related to development drilling activities.

Journey disposed of property, plant and equipment assets in the nine month period ended September 30, 2017 for cash proceeds of \$6,126 (2016 - nil) which resulted in a gain of \$5,596 recorded in the comprehensive statement of income (loss)

5. **EXPLORATION AND EVALUATION ASSETS**

	\$
Balance, January 1, 2016	15,436
Additions	507
Acquisitions	117
Disposals	(1,033)
Transfer to property, plant and equipment	(133)
Lease expiries	(3,229)
Impairment	(1,674)
Balance, December 31, 2016	9,991
Additions	1,624
Acquisitions	2,906
Disposals	(224)
Transfer to property, plant and equipment	(8)
Lease expiries	(1,843)
<b>Balance, September 30, 2017</b>	<b>12,446</b>

6. **ACQUISITIONS**

On January 25, 2017 the Company closed the acquisition of certain light oil and natural gas properties in the Crystal area, which complemented the company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. This acquisition contributed \$816 to revenue and \$366 to net income before tax for the post acquisition period. Had the properties been acquired on January 1, 2017 the effect on revenue would have been \$866 and the impact on net income before tax would have been \$386.

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

On April 28, 2017 the Company closed the acquisition of certain light oil and natural gas properties predominantly in the Sylvan Lake and Pine Creek areas, which complemented the company's existing assets in the area. The acquisition was accounted for as a business combination under IFRS 3. As part of the acquisition the Company incurred \$614 of transaction costs. This acquisition contributed \$6,505 to revenue and \$2,889 to net income before tax for the post acquisition period. Had the properties been acquired on January 1, 2017 the effect on revenue would have been \$12,204 and the impact on net income before tax would have been \$5,922.

<b>Fair value of net assets acquired</b>	<b>\$</b>
Petroleum and natural gas properties	<b>42,579</b>
Exploration and evaluation assets	<b>2,641</b>
Decommissioning liability	<b>(10,950)</b>
	<b>34,270</b>
<b>Consideration:</b>	
Share consideration	<b>6,000</b>
Cash	<b>28,270</b>
	<b>34,270</b>

During the nine months ended September 30, 2017 the Company also closed five minor acquisitions for total cash consideration of \$1,086.

## 7. BANK DEBT

As at September 30, 2017, Journey had a \$125,000 (December 31, 2016 - \$90,000) credit facility with a syndicate of banks. This facility was comprised of a production facility of \$110,000 and a working capital facility of \$15,000. The production and working capital facilities are available on a revolving basis until their maturity on April 30, 2018. Upon a request from Journey, and subject to the syndicates' approval, the facilities may be extended by one year until April 30, 2019. Advances under the facilities are available by way of prime rate loans with interest rates of between 1.0 percent and 4.5 percent over the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent depending on the debt to cash flow ratio as calculated as of the Company's immediately preceding quarter end. Standby fees are charged on the undrawn facilities at rates ranging from 0.5 percent to 1.375 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility, including renewal fees for the nine month period ended September 30, 2017 was 4.9% (2016 – 5.4%). At September 30, 2017 the Company had an outstanding letter of credit in the amount of \$375 that expires June 30, 2018.

The credit facilities are secured by a \$500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. In addition, there are certain standard non-financial covenants in its credit facility agreement. Journey is in compliance with all covenants as at September 30, 2017 and December 31, 2016.

	<b>September 30, 2017</b>	December 31, 2016
Revolving credit facility	<b>62,000</b>	52,463
Bank indebtedness	<b>1,050</b>	-
Deferred financing fee	<b>(156)</b>	-
Balance, at end of period	<b>62,894</b>	52,463

## 8. PROMISSORY NOTES

Principal amount of Promissory Notes	30,000
Less: value allocated to warrants	(2,076)
Fair value at date of issue on October 6, 2016	27,924
Accretion expense	101
Unamortized deferred issuance expenses	(72)
Promissory Notes, December 31, 2016	27,953
Accretion expense	<b>332</b>
Unamortized deferred issuance expenses	<b>(9)</b>
<b>Promissory Notes, September 30, 2017</b>	<b>28,276</b>

The notes bear interest at 7.65% per annum with interest payable semi-annually and mature on October 31, 2020.

## 9. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the net ownership interests it has in petroleum and natural gas assets, which include: well sites, gathering systems, processing facilities and oil batteries. The Company estimates the total undiscounted, unescalated amount of cash flows required to settle its decommissioning liabilities at September 30, 2017 to be \$187,646 (December 31, 2016 - \$161,058) which will be incurred at various times between 2018 and 2121. The present value of the decommissioning liabilities for the period ended September 30, 2017 was calculated using a risk free rate of 2.4% (December 31, 2016 – 2.2%) and an inflation factor of 2.0% (December 31, 2016 – 2.0%). Settlement of the liabilities will be funded from general corporate funds at the time of retirement or removal. As at September 30, 2017, no funds have been set aside to settle these obligations. Changes to decommissioning liabilities during the periods were as follows:

	September 30, 2017	December 31, 2016
Balance, at beginning of period	149,296	167,160
Liabilities acquired	12,784	5,903
Revaluation of liabilities acquired <sup>(1)</sup>	21,682	16,821
Liabilities disposed	(5,842)	(21,004)
Incurred on development activities	956	501
Liabilities settled	(594)	(526)
Revisions to estimates	(1,879)	(9,168)
Changes in discount rate	(11,524)	(13,562)
Accretion	2,742	3,171
<b>Balance, at end of period</b>	<b>167,621</b>	<b>149,296</b>

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

## 10. SHARE CAPITAL

As at September 30, 2017, Journey has an unlimited number of voting common shares that may be authorized and issued. Each common share is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any dividends from the Company and in the assets in the event of termination or winding up of the Company. All common shares are of the same class with equal rights and privileges. In addition, the Company has an unlimited number of preferred shares with no par value available for issuance. The outstanding shares of the Company at each respective period end are as follows:

COMMON SHARES	Number	\$
Balance, January 1, 2016	29,088	261,050
Transfer from contributed surplus on exercise of stock options	-	152
Issued on exercise of stock options and RSU's	88	22
Transfer from restricted voting shares (i)	14,527	107,204
<b>Balance, December 31, 2016</b>	<b>43,703</b>	<b>368,428</b>
Issuance on warrant exercise (note 11)	4,950	15,689
Issuance on asset acquisition (note 6)	2,261	6,535
Normal course issuer bid (ii)	(1,270)	(9,697)
<b>Balance, September 30, 2017</b>	<b>49,644</b>	<b>380,955</b>

<b>RESTRICTED VOTING SHARES</b>	<b>Number</b>	<b>\$</b>
Balance, January 1, 2016	14,527	107,204
Transfer to common shares (i)	(14,527)	(107,204)
<b>Balance, December 31, 2016 and September 30, 2017</b>	-	-
Total share capital, December 31, 2016	43,703	368,428
<b>Total share capital, September 30, 2017</b>	<b>49,644</b>	<b>380,955</b>

i. *Restricted voting shares*

On September 30, 2016 the sole shareholder of the restricted voting shares disposed of the majority of their holdings and subsequently all of the restricted voting shares were converted into common shares under the terms of the these shares.

ii. *Normal course issuer bid*

Pursuant to the Normal Course Issuer Bid (“NCIB”) approved by the Toronto Stock Exchange the Company is able to purchase up to 2,522 common shares for cancellation. The bid period commenced on June 19, 2017 and ends on June 18, 2018. During the period ended September 30, 2017 Journey repurchased 1,270 shares (2016 – nil) for \$2,230 representing an average cost of \$1.76 per common share.

## 11. WARRANTS

	<b>Number</b>	<b>Amount</b>
Balance, January 1, 2016	-	-
Issued in private placement	4,950	2,076
Balance, December 31, 2016	4,950	2,076
Exercised	(4,950)	(2,076)
<b>Balance, September 30, 2017</b>	-	-

As part of a private placement of promissory notes (Note 8), 4,950 share purchase warrants were issued. The warrants were convertible into common shares of Journey on a one for one basis and had an exercise price of \$2.75 per warrant. On March 2, 2017 all the outstanding warrants were exercised and 4,950 common shares were issued.

## 12. SHARE BASED COMPENSATION

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

During the period \$2,032 (2016 – \$1,214) was charged to share based compensation expense for RSU’s and PSU’s previously issued.

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

	<b>RSU’s</b>	<b>PSU’s</b>
Balance at January 1, 2016	1,076	313
Granted	521	249
Exercised	(139)	-
Forfeited	(150)	(58)

Balance at December 31, 2016	1,308	504
Granted	338	-
Exercised	(6)	-
Forfeited	(88)	(14)
<b>Balance at September 30, 2017</b>	<b>1,552</b>	<b>490</b>

b) Stock option plan

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

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

	Stock options	Weighted average exercise price \$	Number of options exercisable
Balance, January 1, 2016	2,745	7.26	1,464
Granted	1,250	2.00	-
Forfeited	(599)	6.89	(443)
Surrendered	(577)	9.39	(192)
Exercised	(12)	1.86	(12)
Balance at December 31, 2016	2,807	4.58	1,207
Granted	60	2.94	-
Forfeited	(190)	6.33	(120)
<b>Balance at September 30, 2017</b>	<b>2,677</b>	<b>4.42</b>	<b>1,479</b>

For the period ended September 30, 2017, 60 (September 30, 2016 – 602) stock options were granted to employees. During the period ended September 30, 2017, \$251 (September 30, 2016 - \$628) was recorded as share based compensation expense.

In the period ended September 30, 2017 \$392 (September 30, 2016 - \$407) was capitalized with respect to grants related to technical personnel for RSU's, PSU's and stock options. A corresponding credit to contributed surplus was made for these amounts.

c) Performance warrants

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

Series A	Number	Weighted average Exercise price \$	Weighted average fair value per warrant \$
Balance, January 1, 2016	197	6.00	3.78
Forfeited	(46)	6.00	3.78
Balance at December 31, 2016	151	6.00	3.78
Forfeited	(1)	6.00	3.78
<b>Balance at September 30, 2017</b>	<b>150</b>	<b>6.00</b>	<b>3.78</b>

All of the series A performance warrants were exercisable at September 30, 2017 (September 30, 2016 – 109).

	Number	Weighted average Exercise price \$	Weighted average fair value per warrant \$
<b>Series B</b>			
Balance, January 1, 2016	388	7.00	3.46
Forfeited	(90)	7.00	3.46
Balance at December 31, 2016	298	7.00	3.46
Forfeited	(2)	7.00	3.46
<b>Balance at September 30, 2017</b>	<b>296</b>	<b>7.00</b>	<b>3.46</b>

All of the series B performance warrants were exercisable at September 30, 2017 (September 30, 2016 – 215).

	Number	Weighted average Exercise price \$	Weighted average fair value per warrant \$
<b>Series C</b>			
Balance, January 1, 2016	372	11.14	5.23
Forfeited	(33)	12.00	5.01
Balance at December 31, 2016	339	11.06	5.25
Forfeited	(143)	10.47	5.40
<b>Balance at September 30, 2017</b>	<b>196</b>	<b>11.49</b>	<b>5.14</b>

65 of the series C performance warrants were exercisable at September 30, 2017 (September 30, 2016 – 121).

For the period ended September 30, 2017 \$(96) (September 30, 2016 - \$421) was credited to share based compensation expense for the forfeiture of unvested warrants.

d) Share purchase warrants

The share purchase warrants outstanding are as follows:

	Number	Weighted average Exercise price \$	Weighted average fair value per warrant \$
<b>Balance, January 1, 2016, December 31, 2016 and September 30, 2017</b>	<b>975</b>	<b>6.98</b>	<b>2.16</b>

All of the share purchase warrants are exercisable at September 30, 2017 and September 30, 2016.

**13. FINANCE EXPENSES**

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest and bank charges	1,536	1,477	3,976	3,623
Accretion on decommissioning liabilities	976	753	2,742	2,342
Accretion on promissory notes	116	-	332	-
Finance expenses	2,628	2,230	7,050	5,965

**14. DEFERRED TAXES**

The provision for deferred income tax reflects an effective rate which differs from the expected statutory federal and provincial tax rates. Differences between the statutory and effective rates for the periods ended September 30, 2017 and 2016 are accounted for as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income (loss) before taxes	(7,957)	25,453	8,933	5,465
Expected income taxes, at the statutory rate of 27.0% (2016 – 27.0%)	(2,148)	6,873	2,412	1,476
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	218	193	607	622
Accretion on promissory notes	32	-	90	-
Non-deductible items	-	4	4	4
Changes in enacted tax rates	-	-	-	84
Deferred income tax expense (recovery)	(1,898)	7,070	3,113	2,186

**15. PER SHARE AMOUNTS**

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net (loss) income	(6,059)	18,383	5,820	3,279
Weighted average shares outstanding - basic	50,863	43,615	48,813	43,615
Weighted average shares outstanding - diluted	50,863	44,846	49,320	44,845
Net (loss) income per share – basic	\$ (0.12)	\$ 0.42	\$ 0.12	\$ 0.08
Net (loss) income per share – diluted	\$ (0.12)	\$ 0.41	\$ 0.12	\$ 0.07

The net income (loss) per basic share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Excluded from the diluted number of shares for the three month period ended September 30, 2017 is the effect of 2,084 stock options, RSU's and PSU's as to include them would be anti-dilutive. For the nine month period ended September 30, 2017 the dilutive impact of RSU's, PSU's and stock options was an additional 507 common shares. For the three and nine month periods ended September 30, 2016 the dilutive impact of RSU's, PSU's and stock options was an additional 1,231 common shares and 1,230 common shares respectively.

16. **FINANCIAL INSTRUMENTS**

(a) **Designation and valuation of financial instruments**

Journey has elected to designate its financial instruments as follows:

	September 30, 2017		December 31, 2016	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
<b>Cash</b>	-	-	1,584	1,584
<b>Loans and receivables</b>				
Accounts receivable	13,419	13,419	14,055	14,055
<b>Held-for-trading</b>				
Derivative contracts – current asset	2,314	2,314	-	-
Derivative contracts – non-current asset	110	110	-	-
Derivative contracts – current liability	-	-	(11,304)	(11,304)
Derivative contracts – non-current liability	-	-	(1,434)	(1,434)
<b>Other financial liabilities</b>				
Accounts payable and accrued liabilities	(26,801)	(26,801)	(21,256)	(21,256)
Promissory notes	(28,276)	(30,000)	(27,953)	(30,000)
Bank debt	(62,894)	(63,050)	(52,463)	(52,463)

The fair value of bank debt is based upon level 2 inputs. The fair value of the bank debt approximates the carrying value as the debt carries a floating interest rate that approximates a market rate of interest. The fair value of Journey's commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data.

(b) **Derivative contracts**

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

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl (CDN)	Term	Fair value
Swap	1,000	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
3 way Collar	1,000	WTI NYMEX	\$39.50/ \$60.00/\$65.00	October 1, 2016 to March 31, 2018	(291)
<b>Total oil derivative contracts fair value</b>					<b>(394)</b>

<b>Natural Gas</b>					
contracts	Volume GJ's/d	Pricing point	Strike price 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	5,000	AECO 7a	\$3.12	July 1, 2017 to March 31, 2018	815
<b>Total gas derivative contracts fair value</b>					<b>2,818</b>
<b>Total derivative contracts fair value</b>					<b>2,424</b>

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

The (gain) loss on derivative contracts for the periods ended September 30, 2017 and 2016 was as follows:

	Three months ended September 30		Nine months ended September 30,	
	2017	2016	2017	2016
Realized	(2,291)	(897)	(820)	(5,380)
Unrealized	1,574	(1,153)	(15,162)	10,056
	(717)	(2,050)	(15,982)	4,676

(c) **Risks**

(i) Credit risk

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

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

	2017	2016
Accounts receivable	13,419	14,055
Total	13,419	14,055

For the period ended September 30, 2017, Journey determined that \$263 (2016 - \$181) of receivables from third parties were uncollectable and specifically provided for them in the provision for uncollectable accounts. At September 30, 2017 Journey assessed its provision for uncollectable accounts and increased it to \$326 (2016 - \$289). Accounts receivable balances outstanding greater than ninety days at September 30, 2017 was \$1,636 (2016 - \$1,697).

(ii) Interest rate risk

Borrowings under bank credit facilities are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. A 1% change in interest rates, using bank debt balances at September 30, 2017 would result in a \$453 change to annual net income.

(iii) Foreign exchange risk

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

(iv) Liquidity risk

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

The following table details Journey's financial liabilities as at September 30, 2017:

	< 1year	1 - 2 years	3 – 4 years	Total
Accounts payable and accrued liabilities	26,801	-	-	26,801
Bank Debt	63,050	-	-	63,050
Promissory notes	-	-	30,000	30,000
Interest on bank debt	3,020	-	-	3,020
Interest on promissory notes	2,295	4,596	195	7,086
	<b>95,166</b>	<b>4,596</b>	<b>30,195</b>	<b>129,957</b>

17. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

<i>Sources (uses) of funds</i>	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Accounts receivable	2,911	789	636	681
Prepaid expenses and deposits	467	197	(1,837)	(1,035)
Deferred financing charge	84	66	(165)	34
Deferred lease obligation	(15)	(16)	(46)	(47)
Accounts payable and accrued liabilities	10,130	1,299	5,545	(10,417)
	<b>13,577</b>	2,335	<b>4,133</b>	(10,784)
<u>Relating to:</u>				
Operating activities	11,799	1,571	5,400	(8,947)
Financing activities	84	66	(165)	34
Investing activities	1,694	698	(1,102)	(1,871)
	<b>13,577</b>	2,335	<b>4,133</b>	(10,784)

b) *Supplementary cash flow information*

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest paid	<b>1,405</b>	1,386	<b>3,259</b>	3,300

**18. COMMITMENTS AND CONTINGENCIES**

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

(a) *Transportation and office lease costs*

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

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

**19. CAPITAL MANAGEMENT**

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

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

Journey remains committed to reducing bank debt and restoring the net debt to funds flow ratio to the internally desired level of approximately 2.0. While the most recent quarters funds flow is often used as a benchmark for measuring the net debt to funds flow ratio, Journey factors in anomalies in current funds flow such as unusually low commodity prices and/or non-recurring operating costs. As at September 30, 2017 the net debt to annualized third quarter funds flow ratio was 5.3 times (September 30, 2016 – 2.3 times) which is higher than the desired level due to the acquisition that closed on April 28, 2017; very low natural gas prices in the third quarter and higher than normal operating expenses from non-recurring maintenance projects. The Company has altered its planned capital expenditures for

the remainder of 2017 to allow this ratio to get closer to the desired level. In addition, Journey has completed a \$2,244 equity private placement subsequent to the quarter end (Note 20).

Below is the calculation of Journey's net debt to annualized funds flow for each of the three month periods ended September 30, 2017 and 2016.

	2017	2016
Bank debt (excluding deferred financing fees)	63,050	79,964
Principal amount of promissory notes	30,000	-
Accounts receivable	(13,419)	(13,985)
Prepaid expenses	(3,451)	(2,963)
Accounts payable and accrued liabilities	26,801	21,566
Deferred lease obligation	404	466
<b>Net debt</b>	<b>103,385</b>	<b>85,048</b>
<b><u>Third quarter funds flow</u></b>		
Cash flow provided by operating activities	16,502	7,543
Add (deduct):		
Changes in non-cash working capital	(11,799)	1,571
Decommissioning costs incurred	116	-
Transaction costs	24	28
<b>Funds flow from operations</b>	<b>4,843</b>	<b>9,142</b>
<b>Four times funds flow for the quarter</b>	<b>19,372</b>	<b>36,568</b>
<b>Net debt to annualized funds flow (times)</b>	<b>5.3</b>	<b>2.3</b>

## 20. SUBSEQUENT EVENTS

- a) On October 11, 2017 Journey completed a private placement for 1,020 common shares issued on a flow through basis at a price of \$2.20 per share. The Company must incur \$2,244 of qualifying Canadian Development Expenses by December 31, 2017.
- b) The Company entered into the following derivative contracts:

Trade date	Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term
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