



MANAGEMENT'S DISCUSSION AND ANALYSIS – THIRD QUARTER, 2019

The following Management's Discussion and Analysis ("MD&A") was prepared on November 4, 2019 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, 2019 and 2018. 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, 2019 and 2018 along with the notes related thereto.

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

Forward-Looking Information

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

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

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

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

Non-GAAP Measures

In this MD&A, we refer to financial measures that do not have any standardized meaning as prescribed by 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 "netback(s)". The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers netbacks as a key performance measure as it demonstrates the Company's profitability relative to current commodity prices. They are also used by Management in operational and capital allocation decisions. Netbacks are comprised of three main operating subtotals: operating, Funds Flow and net income (loss). "**operating netback**" is calculated as the average sales price of the commodities sold (excluding financial hedging gains and losses), less royalties, transportation costs and operating expenses. "**Funds Flow netback**" starts with the operating netback and deducts general and administrative costs, interest 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 and gains on dispositions; impairments; exploration and evaluation expenses; PP&E impairments and reversals; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

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

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2019	2018	% Change	2019	2018	% Change
Cash provided by operating activities	4,279	10,631	(60)	16,064	20,053	(20)
Add (deduct):						
Changes in non-cash working capital	1,534	(3,270)	147	5,096	(2,988)	271
Payments on lease obligations	(416)	-	-	(1,209)	-	-
Transaction costs	9	122	(93)	26	171	(85)
Decommissioning costs incurred	614	407	51	923	1,099	(16)
Funds flow	6,020	7,890	(24)	20,900	18,335	14

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

IFRS 16 – “Leases payments”

Starting in 2019, the accounting for operating expenses changed due to a new IFRS provision being implemented on a modified retrospective basis. IFRS 16 requires a portion of what was previously considered to be operating expenses to be reclassified to a combination of depreciation and financing expense, while the cash payments are not directly reflected in the income statement. Prior years were not required to be restated to conform to IFRS 16. To be consistent with prior years, and to properly reflect the true economic expense, Journey has deducted the full cash payments from operating expenses and general and administrative expense. A reconciliation of both the GAAP expense and the modified “cash-basis” expense is included in the respective “operating expense” and “general and administrative expense” sections below.

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

	September 30, 2019	December 31, 2018	% Change	September 30, 2018	% Change
Principal amount of bank indebtedness, less cash in bank	72,938	76,509	(5)	66,956	9
Principal amount of term promissory notes	44,000	52,000	(15)	52,000	(15)
Accounts payable and accrued liabilities	17,126	16,878	1	32,508	(47)
<u>Deduct:</u>					
Accounts receivable	(12,661)	(9,220)	37	(15,558)	(19)
Prepaid expenses and deposits	(3,165)	(1,858)	70	(3,397)	(7)
Net debt	118,238	134,309	(12)	132,509	(11)

Abbreviations and BOE Advisory

<i>bbl</i>	<i>barrel</i>
<i>bbls</i>	<i>barrels</i>
<i>boe</i>	<i>barrels of oil equivalent</i>
<i>boe/d</i>	<i>barrels of oil equivalent per day</i>
<i>gj</i>	<i>gigajoules</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>Mbbls</i>	<i>thousand barrels</i>
<i>MMBtu</i>	<i>million British thermal units</i>
<i>NGL's</i>	<i>natural gas liquids</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mmcf</i>	<i>million cubic feet</i>
<i>Mmcf/d</i>	<i>million cubic feet per day</i>
<i>Mboe</i>	<i>thousand boe</i>

Where amounts are expressed in a barrel of oil equivalent (“boe”), or barrel of oil equivalent per day (“boe/d”), natural gas volumes have been converted to barrels of oil equivalent at 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, 2019

Financial

Journey recorded Funds Flow of \$6,020 in the third quarter of 2019 representing \$0.15 per share basic and \$0.14 per diluted share. Cash flow from operating activities was \$4,279 in the third quarter of 2019 as compared to \$10,631 in the same quarter of 2018. The net loss for the third quarter was \$7,055 (\$0.18 per basic and diluted share). Journey successfully restructured the maturities on its term debt so that it now has no expiries until late 2022. On September 30, 2019, the Company concluded a flow-through share issuance of 2,790,700 shares at \$2.60 per share for gross proceeds of \$7,256. The Company exited the third quarter with net debt of \$118,238, which was a decrease of 12% from the amount outstanding at December 31, 2018.

Capital spending

During the third quarter, Journey limited its capital spending to \$2,427 and devoted the excess of the Funds Flow over this amount to debt reduction. This was primarily directed on optimization projects, facility work and preparations for the fourth quarter drilling program.

Production

Production decreased 8% in the third quarter of 2019 to average 9,445 boe/d versus 9,248 in the previous quarter of 2019. The increase in production was attributable to the three Matziwin wells drilled in the second quarter having a full quarter of production and thereby offsetting production declines and well operating downtime.

Outlook

For the balance of 2019, Journey's average production is projected to be between 9,200 and 9,400 Boe/d. Funds Flow is anticipated to range between \$6.5 and \$7 million bring the total year amount to between \$26 and \$28 million. Exploration and development capital expenditures are projected to be approximately \$22 million for the year. The Company is currently planning a 4 (4.0 net) well drilling program for the fourth quarter of 2019. The development of the Duvernay prospect continues to evolve as Journeys' operating partner now has four wells on-production. In addition, competitor drilling activity in the area continues to prove up Journey's technical analysis of the play.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Daily Sales Volumes

Total daily sales volumes decreased 8% to 9,445 boe/d for the third quarter of 2019 from 10,227 boe/d in 2018. The decrease was mainly attributable to natural declines in excess of drilling additions. For the nine month periods, daily sales volumes also decreased 8% to 9,341 boe/d for 2019 from 10,127 boe/d in 2018.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (Mcf/d)	28,621	32,070	(11)	29,038	32,112	(10)
Crude oil (Bbl/d)	4,091	4,357	(6)	3,932	4,099	(4)
Natural gas liquids (Bbl/d)	584	525	11	570	676	(16)
Barrels of oil equivalent	9,445	10,227	(8)	9,341	10,127	(8)

Volumetric Product Mix

% of Aggregate Production	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	51	52	(2)	52	53	(2)
Crude oil	43	43	-	42	40	5
Natural gas liquids	6	5	(20)	6	7	(14)
Total	100	100		100	100	

Average Benchmark Price Indices

Crude Oil	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
WTI (US\$/Bbl)	56.47	69.46	(19)	57.04	66.74	(15)
Canadian light (CDN\$/Bbl)	69.26	75.64	(8)	69.58	75.68	(8)
WCS (CDN\$/Bbl)	58.38	61.78	(6)	60.26	57.78	4

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural Gas						
NYMEX (US \$/Mmbtu)	2.33	2.86	(19)	2.57	2.85	(10)
AECO - Daily (CDN\$/Mcf)	1.00	1.28	(22)	1.57	1.51	4
Foreign Exchange						
US to Canadian	1.3206	1.3069	1	1.3291	1.2876	3
Canadian to US	0.7572	0.7652	(1)	0.7524	0.7769	(3)

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 22% lower at \$1.00/mcf in the third quarter of 2019 as compared to \$1.28/mcf during the same period in 2018. The combination of the restricted ability to export Alberta natural gas, and the competition with U.S. natural gas being imported into Eastern Canada and the North East United States continues to take its toll on Alberta natural gas prices. North American storage levels have come back into the five year average range as the summer weather was not as warm as in 2018 and production levels had increased. The belief that there is ample production response to any significant storage draws continues to keep natural gas prices depressed.

WTI oil prices decreased 19% in the third quarter of 2019 to \$56.47 USD/bbl as compared to \$69.46 USD/bbl in the third quarter of 2018. Canadian light oil prices decreased 8% during the third quarter of 2019 as compared to 2018. However, the differentials between WTI and Canadian Light oil reference prices were relatively stable during the third quarter to average approximately \$4/bbl USD whereas in 2018 they were in the mid-\$7/bbl USD range. Uncertainty over the US/China trade deal and economic slowdown concerns have kept the WTI prices lower than previously expected during the third quarter.

For the rest of 2019, Management is projecting the CAD\$/ to remain in the current \$0.75 CDN/US range. WTI Oil prices have been varied but are currently in the \$54-\$56 USD/bbl range as mixed data over OPEC spare capacity and US trade and concerns over the strength of its economy continue to create volatility. The net impact is that Journey realized oil prices are currently anticipated to be in the \$56-\$58 CDN range for the balance of the year. Natural gas prices are expected to adjust seasonally but Journey is projecting a realized price of approximately \$1.70/mcf for the fourth quarter of 2019.

Realized Prices

Commodity prices realized by Journey were as follows:

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

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	0.84	1.61	(48)	1.49	1.54	(3)
Crude oil (\$/Bbl)	60.89	68.27	(11)	61.84	65.44	(6)
Natural gas liquids (\$/Bbl)	19.24	39.41	(51)	25.07	42.96	(42)
Total (\$/boe)	30.10	36.17	(17)	32.18	34.24	(6)

Average commodity prices were 17% lower at \$30.10/boe in the third quarter of 2019 as compared to \$36.17 in 2018. Natural gas prices were 48% lower in the third quarter of 2019 at \$0.84/mcf as compared to \$1.61/mcf in 2018. Oil prices were 11% lower and NGL prices were 51% lower than in 2018. For the nine months ended September

30, 2019 Journey's average realized commodity prices were 6% lower at \$32.18/boe as compared to \$34.24/boe in 2018. NGL prices have decreased significantly from the high-\$30/bbl level to the more recent \$19/bbl range.

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

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

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas (\$/Mcf)	0.84	1.76	(52)	1.49	1.79	(17)
Crude oil (\$/Bbl)	60.56	54.97	10	61.43	53.66	14
Natural gas liquids (\$/Bbl)	19.24	39.41	(51)	25.07	42.96	(42)
Total (\$/boe)	29.96	30.96	(3)	32.00	30.26	6

RISK MANAGEMENT ACTIVITIES

At September 30, 2019, the Company had the following derivative contracts in place:

Oil contracts	Volume bbls/d	Pricing reference	Strike price per bbl	Term	Fair value
Basis swap	1,000	WTI/WCS	\$(13.95)USD	September 1, 2019 to November 30, 2019	(24)
Basis swap	500	WTI/MSW	(7.75)USD	August 1, 2019 to December 31, 2019	(87)
Collar	500	WTI/NTMEX	53.00-\$64.05USD	August 1, 2019 to December 31, 2019	107
Collar	500	WTI/NYMEX	77.00-\$84.15CDN	July 1, 2019 to December 31, 2019	299
Total oil derivative contracts fair value					295

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,		
	2019	2018	% Change	2019	2018	% Change
Realized	(124)	(4,903)	(97)	(447)	(10,984)	(96)
Unrealized	26	2,314	(99)	(934)	(12,067)	(92)
Total	(98)	(2,589)	(96)	(1,381)	(23,051)	(94)

\$/boe	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Realized	(0.14)	(5.21)	(97)	(0.17)	(3.97)	(96)
Unrealized	0.03	2.46	(99)	(0.37)	(4.36)	(92)
Total	(0.11)	(2.75)	(96)	(0.54)	(8.33)	(94)

The change in the value of these contracts for the quarter ended September 30, 2019 resulted in a realized loss of \$124 and an unrealized gain of \$26. The realized loss in the third quarter was primarily attributable to WTI oil prices increasing above Journey's floor hedged amounts for oil contracts. For the nine months ended September 30, 2019

there was a realized loss of \$447 and an unrealized loss of \$934 as compared to \$10,984 and \$12,067, respectively in 2018. At September 30, 2019 the estimated fair value of all commodity hedging contracts is a net asset of \$295.

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

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

During the third quarter of 2019, aggregate P&NG sales decreased by 23% to \$26,158 as compared to \$34,032 for the same period in 2018. The decrease in sales revenue was caused by a decrease in average production volumes of 8%, coupled with a decrease in average realized commodity prices of 17%.

For the nine months ended September 30, aggregate P&NG sales decreased 13% to \$82,056 in 2019 from \$94,651 in 2018. The decrease in P&NG sales was primarily the result of an 8% decrease in average sales volumes as average realized commodity prices decreased by 6%. During the nine month period in 2019, realized prices, before hedging, decreased 3% for natural gas, decreased for oil by 6% and decreased for natural gas liquids by 42% as compared to the same period in 2018.

\$	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	2,207	4,759	(54)	11,776	13,490	(13)
Crude oil	22,917	27,369	(16)	66,379	73,236	(9)
Natural gas liquids	1,034	1,904	(46)	3,901	7,925	(51)
P&NG sales	26,158	34,032	(23)	82,056	94,651	(13)

Sales - % Contribution	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Natural gas	8	14	(43)	14	14	-
Crude oil	88	80	10	81	78	4
Natural gas liquids	4	6	(33)	5	8	(38)
Total	100	100		100	100	

ROYALTIES

For the third quarter of 2019 total royalties were \$3,527 as compared to \$4,578 for the same period in 2018. On a per boe basis, the royalty rate decreased to \$4.06 in 2019 as compared to \$4.87 in 2018. As a percentage of PN&G revenue, the rate for the third quarter of 2019 was the same at 13.5% as the same quarter in 2018. The decrease in the aggregate royalties was commensurate with the 23% decrease in PN&G revenues.

For the nine months ended September 30, royalties were \$10,009 in 2019 as compared to \$12,689 for the same period in 2018. On a per boe basis, the royalty rate decreased 14% to \$3.93 in 2019 as compared to \$4.59 in 2018. As a percentage of revenue, the rate for the nine months of 2019 was 12.2%, which was 9% lower than the 13.4% realized in 2018.

Journey is anticipating a corporate royalty rate of approximately 12% for the balance of 2019 based on Management's internal forecast of commodity prices and the anticipated productivity of its wells. However, this could change significantly as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

\$	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Crown	1,975	2,591	(24)	5,474	6,909	(21)
Freehold/gross over-riding	1,552	1,987	(22)	4,535	5,780	(22)
Total royalties	3,527	4,578	(23)	10,009	12,689	(21)
Royalties (as a % of P&NG sales)	13.5	13.5	-	12.2	13.4	(9)

\$ / boe	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Crown	2.27	2.75	(17)	2.15	2.50	(14)
Freehold/gross over-riding	1.79	2.12	(16)	1.78	2.09	(15)
Total royalties	4.06	4.87	(17)	3.93	4.59	(14)

NET OPERATING EXPENSES

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Operating expense per the financial statements	12,828	12,846	-	38,176	40,328	(5)
Less: processing & other income	(880)	(848)	4	(2,239)	(2,591)	(14)
Net operating expenses	11,948	11,998	-	35,937	37,737	(5)
Net expense (\$ per BOE)	13.75	12.75	8	14.09	13.65	3
Net expense (% of P&NG sales)	45.7	35.3	29	43.8	39.9	10

<i>Operating expenses adjusted for IFRS 16</i>	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Net operating expenses above	11,948	11,998	-	35,937	37,737	(5)
Add: IFRS 16 lease payments	37	-	-	82	-	-
Adjusted operating expenses	11,985	11,998	-	36,019	37,737	(5)
\$ per BOE	13.79	12.75	8	14.12	13.65	3
Net expense (% of P&NG sales)	45.8	35.3	30	43.9	39.9	10

Operating expenses adjusted for recoveries and lease payments were \$11,985 or \$13.79 per boe for the third quarter of 2019 as compared to \$11,998, or \$12.75 per boe in 2018. For the nine months ended September 30, operating expenses adjusted for recoveries and lease payments were \$36,019 or \$14.12 per boe in 2019 as compared to \$37,737 or \$13.65 per boe in 2018. Adjusted operating expenses in the third quarter of 2019 were essentially flat with those of the third quarter of 2018. For the year to date, these expenses were 5% lower in 2019 than in 2018 as there were less costs expended in the current year on spill clean-up costs and well workovers. For the remainder of 2019, Journey expects the adjusted expense per boe rate to average in the mid-\$13 range.

TRANSPORTATION

Transportation expenses were \$418 for the third quarter of 2019, and represented 1.6% of P&NG sales for the period as compared to \$466 and 1.4% for the same quarter of 2018. The cost per boe averaged \$0.48 in the third quarter, which was 4% lower than the same period in 2018. For the nine months ended September 30, transportation expenses were \$1,200 for 2019 or 12% lower than \$1,366 for the comparable period in 2018. On a per boe basis costs were \$0.47 or 4% lower than the \$0.49 incurred in 2018. Journey is currently expecting the per boe rates for the rest of 2019 to be in the \$0.45 range. 8% lower production volumes were the main reason for the decrease in the aggregate expense. However, the competitive bidding and reallocation of delivery points for both oil and NGL trucking has reduced the per boe rates in 2019 than in 2018. 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,		
	2019	2018	% Change	2019	2018	% Change
Transportation expense	418	466	(10)	1,200	1,366	(12)
Expense (\$ per boe)	0.48	0.50	(4)	0.47	0.49	(4)
Expense (% of P&NG sales)	1.6	1.4	(14)	1.5	1.4	(7)

GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSE

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Expense per the financial statements	1,418	2,091	(32)	5,312	7,449	(29)
Add:						
Overhead recoveries	747	580	(29)	2,086	1,685	24
Capitalized G&A	132	316	(58)	387	919	(58)
Gross expense	2,297	2,987	(23)	7,785	10,053	(23)
<u>Expense (\$ per boe)</u>						
Expense per the financials	1.63	2.22	(27)	2.08	2.69	(23)
Gross expense	2.64	3.18	(17)	3.05	3.63	(16)

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
<i>G&A adjusted for IFRS 16</i>						
Expense per financial statements	1,418	2,091	(32)	5,312	7,449	(29)
Add: IFRS 16 lease payments	379	-	-	1,127	-	-
Adjusted G&A (\$)	1,797	2,091	(14)	6,439	7,449	(14)
Adjusted G&A (\$/boe)	2.07	2.22	(7)	2.52	2.69	(6)

For the third quarter of 2019, adjusted G&A, was lower by 14% at \$1,797 as compared to \$2,091 in 2018. For the nine months ended September 30, 2019 the expense was 14% lower at \$6,439 as compared to \$7,449 in 2018. The decrease in G&A costs was mainly attributable to the impact of the cost cutting measures employed in the last half of 2018 surrounding Journey’s initiative to re-bid out certain services and to eliminate other redundant services. On a per boe basis, Journey realized adjusted G&A of \$2.07 for the third quarter of 2019, or 7% lower than the \$2.22

realized in 2018. For the nine months ended September 30, adjusted G&A per boe was \$2.52 in 2019 or 6% lower than \$2.69 in 2018. For the balance of 2019 Journey expects its adjusted G&A to be in the \$2.50 per boe range based on currently forecast expenses and production levels.

FINANCE EXPENSE

Finance expenses are comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion of the promissory notes and other bank charges. The portion of the total finance expense related to borrowings (i.e. interest and bank fees) during the third quarter of 2019 increased by 8% to \$2,269 from \$2,103 in 2018. The per boe rate for interest expense increased in the third quarter due to the combination of higher interest rates on bank debt and lower production volumes. On a per boe basis, borrowing expense was \$2.62 in the third quarter of 2019 as compared to \$2.24 for 2018, representing a 17% increase period over period.

For the comparable nine month period, finance expense related to borrowings for 2019 increased 15% to \$7,023 from \$6,091 in 2018. The average interest rate on borrowings increased to 7.4% in the first nine months of 2019 from 6.7% in the same period of 2018. On a per boe basis, this portion of the finance expense was \$2.75 for 2019 as compared to \$2.20 for 2018, representing a 25% increase.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Expense per financial statements	3,483	3,319	5	10,644	9,597	11
<u>Deduct:</u>						
Accretion expense	(1,196)	(1,213)	1	(3,602)	(3,506)	3
Bank fees and other charges	(18)	(3)	500	(19)	-	-
Expense related to borrowings	2,269	2,103	8	7,023	6,091	15
<u>Expense (\$ per boe)</u>						
Related to borrowings	2.62	2.24	17	2.75	2.20	25
Finance expense – accretion	1.39	1.29	8	1.42	1.27	12
Total finance expense	4.01	3.53	14	4.17	3.47	20

SHARE BASED COMPENSATION

Share based compensation expense was \$744 for the third quarter of 2019 as compared to \$556 in 2018. For the nine months ending September 30, the expense was \$2,345 for 2019, an increase of 44% from the \$1,627 expensed in 2018. Share based compensation expense was higher in 2019 due to the new long term incentives issued in the fourth quarter of 2018. During the third quarter of 2019, the Company capitalized \$40 of share based compensation expense to property, plant and equipment as compared to \$93 in 2018. For the nine months ended September 30, 2018 the capitalized portion was \$118 compared to \$276 in 2018. The capitalization is attributable to technical staff that is directly related to exploration and development activities and is lower in 2019 due to reduced capital activity. The fair value of all stock options is amortized over the options' vesting period.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Expense per financial statements	744	556	34	2,345	1,627	44
Expense (\$ per boe)	0.86	0.59	46	0.92	0.59	56

DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D increased from \$8,211 in the third quarter of 2018 to \$9,556 in 2019. While aggregate production volumes decreased by 8% in the third quarter of 2019, the 16% increase in the aggregate D&D expense was primarily attributable to the combination of additional capitalized asset retirement obligations resulting from a change in the risk-free discount rate. On a per boe basis, D&D was \$11.00 for 2019 as compared to \$8.73 in 2018, representing a 26% increase.

For the nine months ending September 30, aggregate D&D increased by 8% to \$26,838 in 2019 from \$24,770 in 2018. On a per boe basis D&D was \$10.52 in 2019, a 17% increase from \$8.96 in 2018.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Depletion and depreciation (\$)	9,556	8,211	16	26,838	24,770	8
Expense (\$ per boe)	11.00	8.73	26	10.52	8.96	17

GAIN ON DISPOSAL OF ASSETS

There were no asset dispositions during the first nine months of 2019.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Gain on disposition	-	195	(100)	-	3,852	(100)
\$ per boe	-	0.21	(100)	-	1.39	(100)

LOSS ON DEBT RESTRUCTURING

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

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

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change %	2019	2018	Change %
Loss on disposition	636	-	-	636	-	-
\$ per boe	0.73	-	-	0.25	-	-

EXPLORATION AND EVALUATION (E&E) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands being developed during the period. Therefore, the expense in the respective periods can fluctuate significantly as it is highly dependent on expiries and/or drilling dates. During the three months ended September 30, 2019 Journey incurred an expense of \$466 which was 385% higher than the \$96 expensed in 2018. For the nine months ended September 30, 2019 the expense was \$918 as compared to \$1,313 in 2018. No impairments of E&E assets were realized in 2019 to date.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
E&E expense	466	96	385	918	1,313	(30)
\$ per boe	0.54	0.10	440	0.36	0.47	(23)

DEFERRED INCOME TAX

For the three month period ended September 30, 2019, there was a \$910 deferred income tax expense, which was primarily related primarily to a change in the valuation allowance of Journey's deferred income tax asset. Each reporting period, Management evaluates whether the benefits of the deferred tax asset will be realized. Management determined that with the continued decline in natural gas prices, as estimated by Journey's external reserves evaluators that an additional impairment has occurred. As a result of the current quarters' evaluation, the deferred tax asset has been reduced to \$2,615. As at September 30, 2019, the Company has approximately \$722,595 in undeducted tax pools that are being carried forward for future use.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Deferred tax expense	910	-	-	10,511	-	-
Deferred tax expense (\$ per boe)	1.05	-	-	4.12	-	-

On September 30, 2019 Journey issued 2,790,700 flow-through shares at a price of \$2.60 per share for gross proceeds of \$7,256. Pursuant to the terms of the flow through share agreements, the Company is obligated to incur \$7,256 in Canadian Development Expenses, and must be renounced to investors by no later than March 31, 2020. Upon the renunciation, Journey will forego the income tax deductions on the amount renounced.

NETBACKS

The operating netback of \$11.77 per boe for the third quarter of 2019 decreased by 35% from \$18.05 during the same period in 2018. The decrease in the operating netback for the third quarter was mainly due to the 17% decrease in average commodity prices, along with the 8% increase in operating expenses. For the nine months ended September 30, the operating netback was \$13.66 per boe for 2019 which was a 12% decrease from \$15.51 for 2018 with the decrease in commodity prices being the most significant contributor to the decrease with a 6% decrease.

The Funds Flow netback per boe for the third quarter of 2019 was \$6.94 per boe which was 17% lower than the same quarter in 2018. The most significant contributor to the lower netback was the 17% decrease in realized prices. For the nine month periods, the Funds Flow netback increased 24% from \$6.65 per boe in 2018 to \$8.22 in 2019. The leading causes of this increase were a reduction in hedging losses by 96% to \$0.17 per boe while G&A expense decreased by 6% to \$2.52 per boe.

After taking into account the non-cash items, there was a net loss of \$8.13 per boe for the third quarter of 2019. A significant portion of this loss was the result of increased depletion charges due to higher capitalized asset retirement obligations plus an additional valuation allowance taken on Journey's deferred tax asset. These two items accounted for \$12.05/boe during the quarter. For the nine months year to date in 2019 Journey realized a net loss of \$9.28 per boe compared to a net loss of \$7.67 in 2018. While the increase in depletion charges of 17% to \$10.52/boe was a large contributor to the loss in the year to date results, the \$4.12/boe of income tax expense, stemming mainly from an additional valuation allowance, also increased the loss.

Netback (\$ per boe)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Realized price	30.10	36.17	(17)	32.18	34.24	(6)
Royalties	(4.06)	(4.87)	(17)	(3.93)	(4.59)	(14)
Adjusted operating expense	(13.79)	(12.75)	8	(14.12)	(13.65)	3
Transportation	(0.48)	(0.50)	(4)	(0.47)	(0.49)	(4)
Operating	11.77	18.05	(35)	13.66	15.51	(12)
Adjusted G&A	(2.07)	(2.22)	(7)	(2.52)	(2.69)	(6)
Finance – interest	(2.62)	(2.24)	17	(2.75)	(2.20)	25
Realized hedging loss	(0.14)	(5.21)	(97)	(0.17)	(3.97)	(96)
Funds flow	6.94	8.38	(17)	8.22	6.65	24
Unrealized hedging gain (loss)	0.03	2.46	(99)	(0.37)	(4.36)	(92)
Share based compensation	(0.86)	(0.59)	46	(0.92)	(0.59)	56
Depletion and depreciation	(11.00)	(8.73)	26	(10.52)	(8.96)	17
Accretion	(1.39)	(1.29)	8	(1.42)	(1.27)	12
Gain (loss)	(0.73)	0.21	(448)	(0.25)	1.39	(118)
Exploration & evaluation	(0.54)	(0.10)	440	(0.36)	(0.47)	(23)
Transaction costs	(0.01)	(0.13)	(92)	(0.01)	(0.06)	(83)
Deferred tax expense	(1.05)	-	-	(4.12)	-	-
Lease payments (IFRS 16)	0.48	-	-	0.47)	-	-
Net income (loss)	(8.13)	0.21	(3,971)	(9.28)	(7.67)	21

NET LOSS, FUNDS FLOW AND CASH FROM OPERATING ACTIVITIES

There was a net loss for the three months ended September 30, 2019 of \$7,055, in comparison to net income of \$201 in 2018. Lower revenue resulting from 8% lower production and 17% lower average commodity prices were the main reasons for the decline. The loss of \$7,055 in the third quarter amounted to a net loss per share of \$0.18 (basic share and diluted) as compared to income of \$0.01/share in 2018. The net loss per share for the nine months was \$0.60 per basic and diluted share. This compares to a net loss per share of \$0.53 for the nine months ended September 30, 2018.

Funds flow from operations during the third quarter of 2019 was \$6,020, a decrease of 24% from \$7,890 realized in 2018. For the nine months ended September 30, funds flow increased 14% from \$18,335 in 2018 to \$20,900 in 2019. The increase in Funds Flow was significantly attributable to the large decrease in hedging losses from 2018 to 2019. Third quarter funds flow per share in 2019 was \$0.15 per basic share (\$0.14 per diluted share), which was 25% lower than the \$0.20 basic and diluted per share amounts for the third quarter of 2018. For the nine month periods ended September 30, Funds Flow per share in 2019 increased 15% to \$0.53 per basic share (\$0.50 per diluted share) from \$0.46 and \$0.45 basic and diluted respectively in 2018.

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure which represents how much cash was generated by Journey's business operations. Cash Flow was \$4,279 for the third quarter of 2019 versus \$10,631 during the same quarter of 2018. For the year to date, Cash Flow was \$16,064 or 20% lower than the \$20,053 generated in 2018.

Per share data	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Net income (loss)	(7,055)	201	3,610	(23,701)	(21,267)	11
Basic (\$/share)	(0.18)	0.01	(1,900)	(0.60)	(0.53)	13
Diluted (\$/share)	(0.18)	0.01	(1,900)	(0.60)	(0.53)	13
Funds flow	6,020	7,890	(24)	20,900	18,335	14
Basic (\$/share)	0.15	0.20	(25)	0.53	0.46	15
Diluted (\$/share)	0.14	0.20	(30)	0.50	0.45	11
Cash flow provided by operating activities	4,279	10,631	(60)	16,064	20,053	(20)
Basic (\$/share)	0.11	0.28	(60)	0.41	0.50	(18)
Diluted (\$/share)	0.10	0.27	(61)	0.39	0.49	(20)

CAPITAL EXPENDITURES

Journey spent \$2,427 on capital expenditures (before acquisitions/dispositions) during the third quarter of 2019 representing a decrease of 76% from \$9,647 in 2018. No wells were drilled during the third quarter as the Company focused on optimizations, turnarounds and preparing for fourth quarter drilling plans. Net capital additions for the year to date in 2019 was \$11,200. Journey is currently on track to spend approximately \$22 million in capital net of disposal proceeds during the year, which includes plans to drill a total of 7 (6.6 net) wells for the entire year.

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Land and lease rentals	428	208	106	742	3,921	(81)
Geological and geophysical	24	8	200	160	199	(20)
Drilling and completions	451	5,977	(92)	5,382	16,919	(68)
Well equipment and facilities	1,364	3,477	(61)	4,775	8,790	(46)
Capitalized G&A expense	132	316	(58)	387	919	(58)
Exploration and development	2,399	9,986	(76)	11,446	30,748	(63)
Other	6	3	100	12	42	(71)
Capital additions before A&D	2,405	9,989	(76)	11,458	30,790	(63)
PP&E acquisitions	38	-	-	227	23	887
PP&E dispositions	(16)	(342)	(95)	(485)	(5,122)	(91)
E&E acquisitions/dispositions	-	-	-	-	(172)	(100)
Net capital additions	2,427	9,647	(75)	11,200	25,519	(56)
<u>Other expenditures:</u>						
Capitalized share based compensation	40	93	(57)	118	276	(57)
Decommissioning costs	614	407	51	923	1,099	(16)
Total capital additions	3,081	10,147	(70)	12,241	26,894	(54)

Wells drilled	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development oil wells	-	-	3	3.0	3	3.0	8	8.0
Success rate (%)	-	-	100	100	100	100	100	100

DECOMMISSIONING LIABILITIES (“DL”)

At September 30, 2019, Journey recorded a DL of \$235,934 (\$181,849 at December 31, 2018) for the future abandonment and reclamation of the net interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; the time frame in which such costs will be incurred; and cost 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 1.5% at September 30, 2019 (December 31, 2018 – 2.1%).

Journey recorded accretion charges of \$882 for the most recent three month period in 2019 and \$2,681 for the nine month period in 2019 as compared to \$1,008 and \$2,942 respectively in 2018. Accretion reflects the increase in the DL from the discounted amount to the full amount of the DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program for the three months ended September 30, 2019 was \$614 while the amount for the nine month period was \$923. This compares to \$407 and \$1,099 for the three and nine month periods in 2018.

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey’s assets are funded entirely out of Funds Flow from operating activities. Journey’s Liability Management Rating is well within the Alberta Energy Regulator’s requirements, such that no deposits are required or expected to be required as at September 30, 2019 and at the date of this MD&A.

LEASE OBLIGATION LIABILITIES (“LO”)

On January 1, 2019, Journey adopted IFRS 16 which introduces a single method of accounting for leases and effectively brings future lease obligations onto the balance sheet. Effective January 1, 2019, the Company recognized lease obligation liabilities, at their present value of the remaining lease payments and then discounted using the Company’s incremental borrowing rate as of January 1, 2019. At the same time, Journey also recognized an equivalent amount for right-of-use (“ROU”) assets that are included in property, plant and equipment. The recognized ROU assets and lease obligations are primarily related to the Journey’s head office lease. Under IFRS 16, instead of recognizing the cash lease payments in G&A and operating expense, there will be depreciation on the ROU asset and accretion on the liability due to the passage of time.

The initial lease obligations recognized at January 1, 2019 were \$6,919. At September 30, 2019, Journey has recorded lease obligations of \$6,103. The future liability has been discounted at an interest rate that approximates Journey’s incremental cost of borrowing or 5.5%. The discounted lease obligations are then accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of \$89 and \$273 for the three and nine month periods ended September 30, 2019 have been recognized in the statements of comprehensive net income (loss) to reflect the increase in LO associated with the passage of time. Cash expenditures for the LO for the three and nine months ended September 30, 2019 were \$416 and \$1,209 respectively.

Due to the adoption of the Modified Retrospective approach for Lease Obligation Liabilities, there were no changes to the comparative amounts recorded for years prior to 2019.

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.

For the three months ended September 30, 2019, the Company funded its \$2,427 in net capital additions primarily from cash flow from operations, and the remainder coming from bank debt.

As at September 30, 2019 the bank debt outstanding was \$72,938, representing approximately 81% of the total available credit facilities of \$90,000. The Company intends to fund its 2019 capital program through a combination of cash flow from operations; the \$7,256 in flow-through share equity raised on September 30, 2019, as well as the available bank credit lines. The proceeds from the flow-through share issuance will be partially used to fund future drilling and completion costs. Journey currently expects these resources to be sufficient to fund its capital program which is focused on maintaining production at current levels.

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, 2018. The credit facility is also subject to a semi-annual borrowing base review. The semi-annual review is currently under-way and is expected to be concluded by November 30, 2019.

Net Debt of the Corporation at September 30, 2019 was \$118,238. This amount was comprised of negative working capital of \$74,238 (current assets minus current liabilities minus but excluding derivative contracts) plus the principal amount of the second lien term debt. Working capital deficiencies are dealt with by drawing from the unutilized credit facilities as needed and then repaying it periodically through the monthly receipt of production revenues and any proceeds from the disposition of assets. A certain amount of working capital deficiency is normal in the industry and varies widely from company to company based on their specific funds flow and spending patterns. With the recent renewal of the credit facility in May of 2019 the maturity date of the syndicated bank debt has been extended until April 30, 2020.

RELATED PARTY TRANSACTIONS

Journey had no related party transactions during the three and nine month periods ended September 30, 2019.

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) Natural gas transportation

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

	Total	2019	2020 - 2021	2022 - 2023
Natural gas transportation	625	164	430	31

(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.

GUIDANCE

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.

Item	Current Guidance	Guidance August 6	Factors leading to changes
Production volumes	9,200 – 9,400	9,200 – 9,400	No change
Funds Flow	\$26-\$28 million	\$27-\$29 million	Small decrease due to price changes
Capital spending	\$22 million	\$23 million	No substantive change
Net debt	\$121-\$123 million	\$127-\$129 million	Lower due mainly to equity issuance in September of \$7.3 million

The disclosure below is intended to provide the reader with the key assumptions in deriving Journey's guidance and the relevant risk factors that would be considered key in preventing Journey from achieving these results.

2019 Annual Guidance	Key Assumptions	Relevant Risk Factors
Production volumes	Completion of the budgeted drilling program of 7 (6.6 net) wells; corporate average decline rates of 16%; and no significant 3 rd party facility or pipeline outages.	Well performance; 3 rd party outages; drilling success; and acquisitions & divestitures
Funds Flow	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average annual commodity prices of: USD \$57/bbl WTI; AECO natural gas prices of \$1.50/mcf; and using an average US/CAN exchange rate of \$0.75	WTI oil prices; Edmonton par differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
Capital spending (net of dispositions)	The capital program will focus mainly on drilling 6 (6.0 net) wells, as well as certain exploitation projects.	Achieving the projected Funds Flow from operations; maintaining the existing banking credit facility
Net debt	Mainly dependent on commodity prices achieving forecast amounts	Commodity prices
Royalty rate of approximately 12%	Dependent on commodity prices and well productivity rates as per Journey's historical results	Commodity prices; new wells being drilled qualifying for reduced royalties on new production
Operating expenses (net of recoveries) plus transportation expenses in the low- \$14/boe range	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
Interest costs of approximately \$2.85/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 expenses of approximately \$2.50/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

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

SHARE CAPITAL

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

<i>Outstanding</i>	November 4, 2019	September 30, 2019	December 31, 2018
Common shares outstanding	43,087	42,071	39,218
Options, warrants, restricted share and performance share awards	3,952	4,250	6,789
Fully diluted shares	47,039	46,321	46,007

For purposes of the above fully diluted numbers, the performance share awards have been assigned a multiplier of one times.

<i>Weighted average</i>	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	%	2019	2018	%
Basic	39,276	38,546	2	39,250	40,080	(2)
Diluted	41,134	39,767	3	41,480	40,080	3

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Sep 30, 2019	Jun 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Production (boe/d)	9,445	9,248	9,330	9,921
Average prices realized (\$/boe, excluding hedging)	30.10	32.56	33.94	22.34
Petroleum and natural gas sales	26,158	27,400	28,498	20,390
Net income (loss)	(7,055)	(12,559)	(4,087)	(16,180)
Basic – per share (\$/share)	(0.18)	(0.32)	(0.10)	(0.41)
Diluted – per share (\$/share)	(0.18)	(0.32)	(0.10)	(0.41)
Funds flow	6,020	7,158	7,722	(42)
Basic – per share (\$/share)	0.15	0.18	0.20	-
Diluted – per share (\$/share)	0.14	0.17	0.19	-
Cash flow from operating activities	4,279	5,472	6,313	(4,638)
Total assets	416,667	406,974	410,018	380,724
Capital additions	2,427	7,813	960	1,125
Long term financial liabilities	283,856	366,156	331,280	304,062
Net debt	118,238	128,451	127,769	134,635
Dividends paid	-	-	-	-

	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Production (boe/d)	10,227	10,036	10,117	10,521
Average prices realized (\$/boe)	36.17	34.69	31.78	31.32
Petroleum and natural gas sales	34,032	31,685	28,934	30,311
Net earnings (loss)	202	(12,325)	(9,144)	(138,841)
Basic – per share (\$/share)	0.01	(0.32)	(0.21)	(2.72)
Diluted – per share (\$/share)	0.01	(0.32)	(0.21)	(2.72)
Funds flow	7,890	5,305	5,140	9,829
Basic – per share (\$/share)	0.20	0.14	0.12	0.19
Diluted – per share (\$/share)	0.20	0.13	0.12	0.19
Cash flow from operating activities	10,631	26	9,396	11,309
Total assets	405,989	409,094	413,802	416,983
Net capital expenditures	9,647	7,499	8,373	11,328
Long term financial liabilities	214,354	225,331	224,600	201,759
Net debt	118,238	130,606	128,215	103,021
Dividends paid	-	-	-	-

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

restrictions on producers that will become effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month and in November. These did not impact Journey's production Journey entered into a farm out with an industry partner to develop its 140 sections of Duvernay, oil- prospective lands. Drilling by this partner commenced with two wells spud in December.

- In the third quarter of 2018 Journey had production volumes of 10,227 boe/d (52% natural gas). Realized prices improved to an average of \$36.17/boe in the third quarter compared to \$34.69 in the second quarter. The increase in average prices were led primarily by a 45% increase in realized natural gas prices, while oil prices and NGL prices declined 3% and 17% respectively. Natural gas prices are adjusting to seasonal averages in the third quarter but continue to be challenged by egress issues despite the previous cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 3 (3.0 net) wells in Skiff during the quarter. One well was placed on production during the third quarter and two will carry over into the fourth quarter. \$9,986 was spent on exploration and development while the Company had net dispositions of \$342 in the quarter. Hedging losses were the largest drag on both Funds Flow and net income as they amounted to \$4,903 of realized losses and \$2,314 of unrealized gains for a net hedging loss of \$2,589 during the quarter.
- In the second quarter of 2018 Journey had production volumes of 10,036 boe/d (53% natural gas). Realized prices improved to an average of \$34.69/boe led primarily with a 22% increase in realized oil prices from the first quarter. Natural gas prices continue to be challenged as corporate realized prices of \$1.11/mcf were 42% lower than the first quarter despite a cold winter and storage being lower than the five year average. Capital spending was primarily devoted to the drilling of 4 (4.0 net) wells in the quarter. All of these wells will be placed on-production in the third quarter. \$10,283 was spent on exploration and development while the Company had net dispositions of \$2,801 of minor, non-core assets in the quarter. Hedging losses were a drag on both Funds Flow and net income as they amounted to \$3,976 of realized losses and \$8,298 of unrealized losses in the quarter.
- On February 2, 2018 Journey bought 12,700 of its common shares from a significant shareholder for cancellation for a cost of \$21,336 (\$1.68 per share). The repurchase was funded with the issuance of \$22,000 of term debt. In the first quarter of 2018 production averaged 10,117 boe/d (53% natural gas) compared to 10,521 boe/d (54% natural gas). Realized prices before hedging averaged \$31.78/boe as compared to \$31.32/boe in the fourth quarter of 2017. Journey spent \$8,373 in capital during the quarter which included land acquisitions and drilling 2 (2.0 net) wells in the Matziwin area.
- During the fourth quarter of 2017 production volumes were 10,521 boe/d (54% natural gas) compared to third quarter volumes of 10,088 (55% natural gas). Journey spent \$11,328 in the quarter which included drilling 2 (2.0 net) wells. All three were placed on production at various times during the quarter. Average commodity prices were higher in the fourth quarter at \$31.32/boe as compared to \$25.29/boe in the third quarter. Natural gas prices continued to stay low and averaged \$1.49/mcf during the quarter as compared to \$1.32/mcf in the third quarter. Funds Flow was \$9,829 in the fourth quarter as compared to \$4,843 in the third quarter. During the fourth quarter the Company de-recognized \$104,115 in deferred tax assets as the decline in forward-looking natural gas prices caused Management to re-evaluate the probability of using their large tax pool position. In addition, Journey had net impairments of \$39,599 for PP&E and E&E assets in the quarter attributable to the lower natural gas prices in the independent reserve engineers report at December 31, 2017.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements for the three and nine months ended September 30, 2019 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, 2018.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2018 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2018 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, 2018, 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

Accounting Standards adopted in 2019 – IFRS 16 “Leases”

On January 1, 2019, Journey adopted IFRS 16 and selected the modified retrospective approach. We also elected to exempt short-term leases and leases of low value assets. We conducted an examination of our lease contracts that are significant in nature and therefore not exempt.

On adoption, the Company recognized lease obligation liabilities, in relation to leases under principles of the new standard measured at their present value of the remaining lease payments discounted using the Company's incremental borrowing rate as of January 1, 2019 of approximately 5.5%. At adoption Journey also recognized an equivalent amount of Right of use (“ROU”) assets that are included in property, plant and equipment. The ROU assets and lease obligations recognized are primarily related to Journey's head office lease. In addition, as required under IFRS 16, upon adoption the deferred lease obligation of \$326 was offset against the ROU asset. The initial lease obligation recognized was \$6,919, of which \$1,218 was current. The ROU asset is included in property plant and equipment and depreciated over the remaining life of the leases.

RISK FACTORS AND RISK MANAGEMENT

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

Commodity Price Risk

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

environments by making strategic acquisitions. Journey enters into commodity price contracts to actively manage the risks associated with price volatility and thereby partially protect Funds Flows, which are used to fund our capital program.

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

Foreign Exchange Risk

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

Liquidity Risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. The credit facility was renewed in May and will mature on April 30, 2020. If the facilities are not renewed by the syndicate in April of 2020, all amounts drawn under the facility outstanding will become due and payable. As part of the May renewal, the credit facility was amended to include new compliance, consent and reporting requirements related to Journey's provincial liability management rating, as well as providing the syndicate with details of the calculation of Journey's future abandonment and reclamation costs.

The amount available under the facility is highly dependent on the Company's independent engineering reserve report, as well as other factors, many of which are not within the control of the Company. The borrowing base underlying the credit facility is subject to a semi-annual review, with the next one is currently under way with an estimated conclusion date of November 30, 2019.

Liquidity risk is impacted by the current state of the oil and gas industry in Canada. The industry has recently experienced unprecedented, volatile commodity prices; curtailments on production (Journey is currently exempt from curtailments); reduced capital being available to the industry; and a general reduction in the number and value of oil and natural gas purchase and sale transactions (which restricts the ability to dispose of assets).

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

The following table details Journey's financial liabilities as at September 30, 2019:

	< 1 year	1 - 2 years	3 - 5 years	Total
Accounts payable and accrued liabilities	17,126	-	-	17,126
Derivative contracts	111	-	-	111
Bank Debt - principal	72,938	-	-	72,938
Promissory notes - principal	-	-	44,000	44,000
Interest on bank debt	3,963	-	-	3,963
Interest on term debt	4,216	4,210	6,958	15,384
Total	98,354	4,210	50,958	153,522

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 \$90,000. The facility is a 365 day revolving facility from a syndicate of lenders with a maturity date of April 30, 2020. The amount available under the facility is highly dependent on the Company's independent engineer reserve report, as well as other factors, many of which are not within the control of the Company. The borrowing base of the credit facility is subject to a semi-annual review, which is anticipated to be concluded in November of 2019. The credit facilities are secured by a \$500,000 fixed and floating charge debenture over all the assets of Journey. There is risk in the current industry's environment that the borrowing base could be reduced below what the Company is drawn at. Should this occur, the excess will need to be repaid within sixty days of any notice from the syndicate. Journey is also subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all such covenants as at September 30, 2019. 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 may not be sufficient to fund its ongoing activities at all times, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities over and above its lending facility. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss out on acquisition opportunities, and reduce or terminate operations. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects. Should circumstances affect the Funds Flow in a detrimental way, the Company would respond by increasing debt within the Company's self-imposed debt guideline and/or reducing capital expenditures. The Company relies on various sources of funding to support its capital expenditure program including:

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

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Finding and development costs are decreasing each year

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

- Focusing its efforts on its core areas wherein its expertise and experiences can be properly leveraged;

- Generating as many internal projects as possible;
- Being the operator on the majority of projects;
- Identifying drilling opportunities with multi-zone prospects; and
- Making prudent use of seismic data to identify prospects – either by purchasing trade data or by shooting new seismic.

Administrative Risks

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

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price 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 AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is currently 2.1 and does not expect to post any such deposits in the foreseeable future.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's Chief Executive Officer and Chief Financial Officer are responsible for establishing and managing internal control over financial reporting ("ICFR"). They have as at the interim period ending September 30, 2019, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

There were no changes in the Corporation's ICFR that occurred during the period beginning on July 1, 2019 and ended on September 30, 2019 that have materially affected or are reasonably likely to materially affect, the Corporation's ICFR.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the second quarter of 2019.

The September 30, 2019 condensed consolidated interim financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.