

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

	Note	September 30, 2019	December 31, 2018
ASSETS			
CURRENT			
Accounts receivable		12,661	9,220
Prepaid expenses and deposits		3,165	1,858
Derivative contracts	16(b)	406	1,229
Total current assets		16,232	12,307
Property, plant and equipment	4	386,064	341,808
Exploration and evaluation assets	5	11,756	13,410
Deferred tax asset		2,615	13,199
Total assets		416,667	380,724
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		17,126	16,878
Bank debt	6	72,938	1,009
Deferred lease obligation		-	62
Derivative contracts	16(b)	111	-
Lease obligations	9	1,287	-
Decommissioning liabilities	8	1,413	2,945
Total current liabilities		92,875	20,894
Bank debt	6	-	75,458
Promissory notes	7	-	49,436
Term debt	7	43,654	-
Other liability	10	865	-
Deferred lease obligation		-	264
Lease obligations	9	4,816	-
Decommissioning liabilities	8	234,521	178,904
Total liabilities		376,731	324,956
EQUITY			
Share capital	10	298,505	291,964
Contributed Surplus		110,148	107,842
Warrants	11	724	1,702
Deficit		(369,441)	(345,740)
Total equity		39,936	55,768
Total liabilities and equity		416,667	380,724

Commitments

18

*See accompanying notes.***APPROVED BY THE BOARD***“Signed”* Jeffrey K. Bowers, Director*“Signed”* Alex G. Verge, Director

JOURNEY ENERGY INC.**Condensed Consolidated Interim Statement of Comprehensive (Loss) Income
For the three and nine months ended September 30, 2019 and 2018***(unaudited) (in thousands of Canadian dollars, except per share data)*

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
REVENUE					
Petroleum and natural gas sales	17(c)	26,158	34,032	82,056	94,651
Processing and other income		880	848	2,239	2,591
Royalties		(3,527)	(4,578)	(10,009)	(12,689)
Gain (loss) on derivative contracts	16(b)	(98)	(2,589)	(1,381)	(23,051)
Net Revenue		23,413	27,713	72,905	61,502
EXPENSES					
Operating		12,828	12,846	38,176	40,328
Transportation		418	466	1,200	1,366
General and administrative		1,418	2,091	5,312	7,449
Share based compensation	12	744	556	2,345	1,627
Exploration and evaluation	5	466	96	918	1,313
Gain on disposal of assets		-	(195)	-	(3,852)
Loss on debt restructuring	7	636	-	636	-
Depletion and depreciation	4	9,556	8,211	26,838	24,770
Transaction costs		9	122	26	171
Finance	13	3,483	3,319	10,644	9,597
Total expenses		29,558	27,512	86,095	82,769
NET (LOSS) INCOME BEFORE TAXES		(6,145)	201	(13,190)	(21,267)
Deferred income tax	14	910	-	10,511	-
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME		(7,055)	201	(23,701)	(21,267)
NET (LOSS) INCOME PER SHARE	15				
Basic		(0.18)	0.01	(0.60)	(0.53)
Diluted		(0.18)	0.01	(0.60)	(0.53)

See accompanying notes.

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

	Note	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2019		291,964	107,842	1,702	(345,740)	55,768
Comprehensive loss		-	-	-	(23,701)	(23,701)
Flow-through shares issued, net of issue costs		7,253	-	-	-	7,253
Premium on flow-through shares		(865)	-	-	-	(865)
Warrants surrendered		-	-	(1,702)	-	(1,702)
Warrants issued on second-lien term debt issuance, net of deferred taxes		-	-	724	-	724
Share based compensation	12	-	2,464	-	-	2,464
Exercise of stock options	10	64	(17)	-	-	47
Settlement of restricted share units	10	89	(141)	-	-	(52)
Balance, September 30, 2019		298,505	110,148	724	(369,441)	39,936

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

JOURNEY ENERGY INC.**Condensed Consolidated Interim Statement of Cash Flows** *(unaudited)***For the three and nine months ended September 30, 2019 and 2018***(in thousands of Canadian dollars)*

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
CASH FLOWS PROVIDED BY (USED IN)					
THE FOLLOWING ACTIVITIES:					
OPERATING					
Net (loss) income		(7,055)	201	(23,701)	(21,267)
Adjustments for:					
Unrealized loss (gain) on derivative contracts	16(b)	(26)	(2,314)	934	12,067
Share based compensation	12	744	556	2,345	1,627
Depletion and depreciation	4	9,556	8,211	26,838	24,770
Gain on disposal of assets		-	(195)	-	(3,852)
Loss on debt restructuring	7	636	-	636	-
Accretion of decommissioning liabilities	8	882	1,008	2,681	2,942
Accretion of term debt	7	225	205	648	564
Accretion of lease obligations	13	89	-	273	-
Exploration and evaluation expense	5	466	96	918	1,313
Deferred income tax expense	14	910	-	10,511	-
Decommissioning costs incurred	8	(614)	(407)	(923)	(1,099)
Changes in non-cash working capital	17(a)	(1,534)	3,270	(5,096)	2,988
Cash flow provided by operating activities		4,279	10,631	16,064	20,053
FINANCING					
Changes in bank debt	6	4,438	8,000	(3,571)	4,000
Repayment of promissory notes	7	(8,000)	-	(8,000)	22,000
Flow-through share issuance, net of issue costs	10	7,253	-	7,253	-
Settlement of restricted share units		(20)	-	(52)	(7)
Exercise of stock options		-	-	47	-
Share repurchase		-	-	-	(21,336)
Lease obligation payments	9	(416)	-	(1,209)	-
Changes in non-cash working capital	17(a)	10	41	72	(33)
Cash flow used in financing activities		3,265	8,041	(5,460)	4,624
INVESTING					
Additions to property, plant and equipment	4	(1,954)	(9,707)	(10,716)	(25,208)
Additions to exploration and evaluation assets	5	(135)	(260)	(189)	(2,028)
Additions to administrative assets	4	(6)	(4)	(12)	(43)
Acquisition of property, plant and equipment and exploration and evaluation assets		(332)	(16)	(768)	(3,633)
Disposition of property, plant and equipment and exploration and evaluation assets		-	340	485	5,393
Changes in non-cash working capital	17(a)	(5,452)	(2,049)	596	(341)
Cash flow used in investing activities		(7,879)	(11,696)	(10,604)	(25,860)
NET INCREASE (DECREASE) TO CASH		(335)	6,976	-	(1,183)
CASH, BEGINNING OF PERIOD		335	68	-	8,227
CASH, END OF PERIOD		-	7,044	-	7,044

Supplementary cash flow information

17 (b)

See accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(thousands, except per share data)

1. INCORPORATION AND NATURE OF BUSINESS

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

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

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

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, the “Financial Statements”, including prior year comparative information, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These Financial Statements have been prepared following the same accounting policies and method of computation as the audited annual consolidated financial statements for the year ended December 31, 2018, except as noted and disclosed in Note 3. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended September 30, 2019 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on November 4, 2019.

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.

3. SIGNIFICANT 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 right of use 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.

4. **PROPERTY, PLANT AND EQUIPMENT**

	Petroleum and natural gas properties	Right of use assets	Administrative	Total
Balance, January 1, 2018	1,236,982		4,291	1,241,273
Additions	26,034	-	37	26,071
Acquisition of property, plant and equipment	452	-	-	452
Changes in decommissioning obligations	5,492	-	-	5,492
Capitalized share-based compensation	409	-	-	409
Dispositions of property, plant and equipment	(6,368)	-	-	(6,368)
Transfer from exploration and evaluation assets	313	-	-	313
Balance, December 31, 2018	1,263,314	-	4,328	1,267,642
Additions, net of deferred lease obligations	10,716	6,714	12	17,442
Acquisition of property, plant and equipment	249	-	-	249
Changes in decommissioning obligations	52,327	-	-	52,327
Capitalized share-based compensation	118	-	-	118
Dispositions of property, plant and equipment	(485)	-	-	(485)
Transfer from exploration and evaluation assets	1,443	-	-	1,443
Balance, September 30, 2019	1,327,682	6,714	4,340	1,338,736
	Petroleum and natural gas properties	Right of use assets	Administrative	Total
Accumulated depletion, depreciation and impairment losses				
Balance, January 1, 2018	(891,865)	-	(3,926)	(895,791)
Provision for the year	(33,076)	-	(117)	(33,193)
Disposals	3,150	-	-	3,150
Balance, December 31, 2018	(921,791)	-	(4,043)	(925,834)
Provision for the period	(25,763)	(1,008)	(67)	(26,838)
Balance, September 30, 2019	(947,554)	(1,008)	(4,110)	(952,672)
	Petroleum and natural gas properties	Right of use assets	Administrative	Total
Carrying Amounts, as at				
December 31, 2018	341,523	-	285	341,808
September 30, 2019	380,128	5,706	230	386,064

Future development costs on proved plus probable undeveloped reserves of \$197,130 (December 31, 2018 - \$206,913) were included in the depletion calculation. During the period ended September 30, 2019, the Company capitalized \$387 (December 31, 2018 - \$1,271) for salaries, wages and benefits, and \$118 (December 31, 2018 - \$409) of share based compensation that was directly related to development drilling activities.

5. EXPLORATION AND EVALUATION ASSETS

Balance, January 1, 2018	11,333
Additions	2,146
Acquisitions	3,659
Disposals	(172)
Transfer to expense	(75)
Lease expiries	(1,982)
Transfer to property, plant and equipment	(313)
Impairment	(1,186)
Balance, December 31, 2018	13,410
Additions	189
Acquisitions	518
Transfer to property, plant and equipment	(1,443)
Lease expiries	(918)
Balance, September 30, 2019	11,756

6. BANK DEBT

Journey has a credit facility of \$90,000 with a syndicate of banks (December 31, 2018 - \$100,000) of which \$72,938 was drawn at September 30, 2019 (December 31, 2018 - \$76,509). The facility is comprised of a revolving facility of \$75,000 and a working capital facility of \$15,000. Draws above \$70,000 on the revolving facility are available upon unanimous consent of the lenders. The revolving and working capital facilities mature on April 30, 2020. Should the credit facilities not be renewed at maturity, all amounts outstanding under the facility would become due and payable.

Advances under the facilities are available by way of prime rate loans with interest rates between 1.0 percent and 4.5 percent above the banks' prime lending rates. In addition to these prime rate advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent depending on the debt to cash flow ratio as defined in the credit facility and calculated as of the Company's immediately preceding quarter end. In addition, standby fees on the undrawn facilities are charged at rates ranging from 0.5 percent to 1.375 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding fiscal quarters' end.

The effective annualized interest rate on the credit facility for the three and nine months ended September 30, 2019 was 6.9% and 7.3% respectively (5.9% and 6.3% respectively for the periods ended September 30, 2018). At September 30, 2019 the Company had an outstanding letter of credit in the amount of \$65 that expires June 30, 2020.

The credit facilities are secured by a \$500,000 fixed and floating charge debenture over all assets of Journey. The credit facilities are subject to a semi-annual borrowing base review. The currently scheduled review is ongoing and is expected to be completed by November 30, 2019. There are certain standard non-financial covenants in the credit facility agreement. Journey is in compliance with all of these covenants.

	September 30, 2019	December 31, 2018
Bank indebtedness	438	1,009
Revolving credit facility	72,500	75,500
Deferred financing fees	-	(42)
Balance, at end of period	72,938	76,467

7. TERM DEBT

On September 30, 2019 Journey restructured its outstanding \$52,000 of promissory notes. The notes were replaced with a single, second-lien term debt instrument of \$44,000 comprised of two tranches of \$22,000. The first tranche now matures on September 30, 2023 and bears interest at the rate of 11.5% per annum. The second tranche matures on September 30, 2022 and bears interest at the rate of 7.65% per annum. As part of the restructuring, \$8,000 of principal was repaid.

- a) The first tranche of term debt corresponds to the promissory notes that were issued in 2016. In this tranche, the maturity was extended to October 31, 2023 (previously October 31, 2020); and the interest rate increased from 7.65% to 11.5%. This fair value of this tranche at September 30, 2019 was calculated to using an effective interest rate method. Under this method, the future payments of interest and principal are discounted using a rate of interest that would be reflective of a similar debt instrument, but without the warrant feature (10.5%). In addition, 1,137 thousand share purchase warrants were issued under this restructuring (Note 11). As a result of this change in fair value, there was a loss of \$636, which was realized and expensed through the comprehensive statement of loss.
- b) The second tranche of term debt corresponds to the promissory notes that were issued in 2018. There were no changes to the terms of this tranche. The principal amount of \$22,000; the maturity of September 30, 2022; and the interest rate of 7.65% remain unchanged.

The notes are secured by a floating charge debenture over all of the Company's assets and are subordinate to any current or future claims under the banking credit facility (Note 6). The warrants are convertible into common shares of Journey on a one for one basis and have an exercise price of \$3.15 per warrant.

The fair value of the first tranche, was determined at the date of modification to be \$22,905 using the effective interest rate method (10.5%).

	Tranche 1	Tranche 2	Total
Balance, beginning of period	28,915	20,521	49,436
Repayment	(8,000)	-	(8,000)
Change in fair value on restructuring	1,539	-	1,539
Accretion	402	246	648
Amortization of deferred issuance expenses	20	11	31
Balance, end of period	22,876	20,778	43,654

8. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the ownership interests Journey has in petroleum and natural gas assets, which include: well sites, gathering systems, natural gas processing facilities and oil batteries. The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning liabilities at September 30, 2019 to be \$195,596 (December 31, 2018 - \$190,065) the majority of which, will be incurred at various times between 2020 and 2070. The present value of the decommissioning liabilities for the period ended September 30, 2019 was calculated using a risk free rate of 1.5% (December 31, 2018 - 2.1%) and an inflation factor of 2.0% (December 31, 2018 - 2.0%). As at September 30, 2019, no funds have been specifically set

aside to settle these obligations, rather the decommissioning obligations will be funded from cash flows from operations.

Changes to decommissioning liabilities during the three and twelve month periods below were as follows:

	September 30, 2019	December 31, 2018
Balance, beginning of period	181,849	175,495
Liabilities acquired	8	292
Revaluation of liabilities acquired ⁽¹⁾	22	506
Liabilities disposed	-	(2,061)
Incurred on development activities	583	926
Liabilities settled	(923)	(1,288)
Revisions to estimates	7,201	2,167
Changes in discount rate	44,513	1,893
Accretion	2,681	3,919
Balance, end of period	235,934	181,849

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

9. LEASE OBLIGATIONS

The present value of Journey's lease obligations was as follows at the respective period ends:

	Current	Long-term	Total
Lease obligations, January 1, 2019	1,219	5,700	6,919
Additions	45	75	120
Lease payments	-	(1,209)	(1,209)
Accretion	23	250	273
Lease obligations, September 30, 2019	1,287	4,816	6,103

The Company used its incremental cost of borrowing rate of 5.5% to discount the future lease liabilities. For the three and nine month periods ended September 30, 2019 Journey made cash payments of \$416 and \$1,209 respectively relating to leases and recognized accretion expense of \$89 and \$273 respectively. The undiscounted lease liability at September 30, 2019 is \$6,891.

10. SHARE CAPITAL

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

COMMON SHARES	Number	\$
Balance, January 1, 2018	51,240	386,017
Share repurchase	(12,700)	(95,674)
Issued on exercise of stock option	7	17
Issued on settlement of PSU's and RSU's	671	1,604
Balance, December 31, 2018	39,218	291,964
Exercise of stock options	24	64
Settlement of PSU's and RSU's	38	89
Flow-through share issuance, net of issue costs (i)	2,791	7,253
Premium on flow-through shares (i)	-	(865)
Balance, September 30, 2019	42,071	298,505

i. *Flow-through shares*

On September 30, 2019 2,791 flow-through shares were issued in a non-brokered private placement for gross proceeds of \$7,256, representing \$2.60 per share. Journey incurred \$3 of share issue costs on the issuance. A deferred liability of \$865 was recognized for the premium on the flow-through shares. The liability will be de-recognized through income tax expense as the Company incurs the qualifying expenditures.

11. WARRANTS

	Number	\$
Balance, January 1, 2018	-	-
Issuance on promissory notes (i)	2,310	1,702
Balance, December 31, 2018	2,310	1,702
Surrendered	(2,310)	(1,702)
Issued on second lien term debt financing, net of deferred tax (ii)	1,137	724
Balance, September 30, 2019	1,137	724

- (i) 2,310 share purchase warrants were issued on February 1, 2018 concurrently with the issuance of \$22,000 of promissory notes. The warrants were convertible into common shares of Journey on a one for one basis and had an exercise price of \$2.51 per warrant. The warrants were surrendered for no consideration as part of the promissory note restructuring (Note 7).
- (ii) In connection with the term debt restructuring (Note 7) 1,137 warrants were issued. The fair value of the warrants were established using a modified Black-Scholes valuation methodology. The warrants are convertible into common shares on a one for one basis with an exercise price of \$3.15 per warrant and expire on September 30, 2022.

12. SHARE BASED COMPENSATION

a) Restricted Share Units ("RSU's") and Performance Share Units ("PSU's")

During the period ended September 30, 2019 \$2,364 (2018 – \$1,626) was charged to share based compensation expense for RSU's and PSU's issued.

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

	RSU's	PSU's
Balance at January 1, 2018	2,094	729
Granted	799	359
Exercised	(526)	(171)
Forfeited	(89)	(23)
Balance at December 31, 2018	2,278	894
Exercised	(53)	(5)
Forfeited	(25)	-
Balance at September 30, 2019	2,200	889

b) Stock option plan

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

	Stock options	Weighted average exercise price \$	Number of options exercisable
Balance, January 1, 2018	2,693	4.39	1,693
Expired	(852)	6.31	(852)
Surrendered	(412)	5.26	(412)
Forfeited	(115)	3.70	(74)
Exercised	(7)	1.73	(7)
Balance at December 31, 2018	1,307	2.93	891
Expired	(122)	11.13	(122)
Exercised	(24)	1.97	(24)
Balance at September 30, 2019	1,161	2.05	939

During the period ended September 30, 2019, \$99 (2018 - \$277) was recorded as share based compensation expense related to the stock options previously issued.

During the periods ended September 30, 2019 \$118 (2018 - \$276) of share-based compensation expense was capitalized with respect to long-term incentives issued to technical personnel. Share based compensation expense is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Stock options expense	27	77	99	277
SU's and RSU's expense	757	572	2,364	1,626
Total share based compensation expense	784	649	2,463	1,903
Less: capitalized portion	(40)	(93)	(118)	(276)
Net share based compensation expense	744	556	2,345	1,627

13. FINANCE EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest and bank charges	2,287	2,106	7,042	6,091
Accretion of lease obligations	89	-	273	-
Accretion of decommissioning liabilities	882	1,008	2,681	2,942
Accretion of promissory notes	225	205	648	564
Total finance expense	3,483	3,319	10,644	9,597

14. DEFERRED INCOME TAX

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, 2019 and 2018 are accounted for as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income before taxes	(6,145)	201	(13,190)	(21,267)
Expected income taxes, at the statutory rate of 26.5% (2018 – 27.0%)	(1,628)	54	(3,495)	(5,742)
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	209	158	657	461
Loss on debt restructuring	172	-	172	-
Non-deductible items	61	57	176	157
Changes in enacted rates	(98)	-	299	-
Deferred tax asset not recognized	2,194	(269)	12,702	5,124
Deferred income tax expense	910	-	10,511	-

Alberta corporate income tax rates were reduced effective July 1, 2019 by 1% for 2019, and an additional 1% in each of 2020, 2021 and 2022.

15. PER SHARE AMOUNTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income	(7,055)	201	(23,701)	(21,267)
Weighted average shares outstanding - basic	39,276	38,546	39,250	40,080
Weighted average shares outstanding - diluted	39,276	39,767	39,250	40,080
Net loss per share – basic	\$ (0.18)	\$ 0.01	\$ (0.60)	\$ (0.53)
Net loss per share – diluted	\$ (0.18)	\$ 0.01	\$ (0.60)	\$ (0.53)

The net (loss) income per basic share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the respective periods. The dilutive impact of RSU's, PSU's and stock options was an additional 1,221 weighted average common shares for the three months ended September 30, 2018. For all other periods, all potentially dilutive instruments were excluded from diluted earnings per share as the Company reported a net loss for these periods.

16. **FINANCIAL INSTRUMENTS**

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

Classification and measurement	September 30, 2019		December 31, 2018	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Amortized cost				
Accounts receivable	12,661	12,661	9,220	9,220
Accounts payable and accrued liabilities	(17,126)	(17,126)	(16,878)	(16,878)
Promissory notes	-	-	(49,436)	(52,000)
Second lien term debt	(43,654)	(44,000)	-	-
Bank debt and bank indebtedness – principal	(72,938)	(72,928)	(76,509)	(76,509)
Fair value through profit or loss				
Derivative contracts – current asset	406	406	1,229	1,229
Derivative contracts – current liability	(111)	(111)	-	-

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

(b) Derivative contracts

Journey has the following financial derivative transactions outstanding at September 30, 2019.

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term	Fair value
Swap	1,000	OIL WCS	\$(13.95)USD	September 1, 2019 to November 30, 2019	(24)
Swap	500	OIL MSW	\$(7.75)USD	August 1, 2019 to December 31, 2019	(87)
Collar	500	WTI NYMEX	\$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

A 10% change in the respective commodity prices would have impacted the pre-tax net income (loss) by the following amounts as at September 30, 2019:

Commodity	10% increase	10% decrease
Oil	(269)	305

The gain (loss) on derivative contracts for the periods ended September 30, 2019 and 2018 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Realized	(124)	(4,903)	(447)	(10,984)
Unrealized	26	2,314	(934)	(12,067)
	(98)	(2,589)	(1,381)	(23,051)

(c) Risks

(i) Credit risk

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

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

	2019	2018
Accounts receivable	12,661	9,220
Derivative contracts	406	1,229
Total	13,067	10,449

For the period ended September 30, 2019, Journey determined that \$599 (2018 - \$521) of receivables from third parties were uncollectable and provided for them in the provision for uncollectable accounts. At September 30, 2019 Journey assessed its provision for uncollectable accounts and adjusted to \$634 (2018 - \$695). Accounts receivable balances outstanding greater than ninety days at September 30, 2019 were \$1,488 (2018 - \$1,931).

(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 outstanding bank borrowings at September 30, 2019 would result in a \$729 change to annual pre-tax net income (loss).

(iii) Foreign exchange risk

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

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. The immediate risk relates to the renewal of the credit facility. The credit facility is scheduled to mature on April 30, 2020. If the facilities are not renewed by the syndicate, all amounts outstanding will become due and payable on this date. The borrowing base of the credit facility is also subject to a semi-annual review, with the next one scheduled to be completed by November 30, 2019. There is risk that in the current industry environment, 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 shortfall notice issued by the syndicate.

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).

Management continues to work to mitigate liquidity risk through various means including reducing capital expenditures, reducing controllable costs, focusing on increasing cash flow from operations, and managing the relationships with the syndicate and the second-lien term debt holder.

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

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

17. SUPPLEMENTAL INFORMATION

a) Changes in non-cash working capital

Sources (uses) of funds	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Accounts receivable	543	(1,516)	(3,441)	553
Prepaid expenses and deposits	175	97	(1,307)	(2,078)
Deferred financing charge	10	41	72	(33)
Deferred lease obligation	-	(15)	-	(46)
Accounts payable and accrued liabilities	(7,704)	2,655	248	4,218
	(6,976)	1,262	(4,428)	2,614

Related to:

Operating activities	(1,534)	3,270	(5,096)	2,988
Financing activities	10	41	72	(33)
Investing activities	(5,452)	(2,049)	596	(341)
	(6,976)	1,262	(4,428)	2,614

b) *Supplementary cash flow information*

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest paid	1,247	1,163	4,178	3,218

c) *Revenue by product type*

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Crude oil	22,917	27,369	66,379	73,236
Natural gas	2,207	4,759	11,776	13,490
Natural gas liquids	1,034	1,904	3,901	7,925
Petroleum and natural gas sales	26,158	34,032	82,056	94,651

18. COMMITMENTS

The Company is committed to firm-service contracts for the transportation of certain portions of its natural gas production. 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

In addition to the commitments listed above, 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 consolidated financial statements.

19. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt, second lien term debt, and working capital (current assets less current liabilities, excluding the fair value of derivative contracts and decommissioning liabilities). The Company's key objectives when managing its capital structure are to: 1) meet its financial obligations as they come due; 2) finance its internally generated capital program; and 3) maintain financial flexibility to take advantage of accretive acquisitions that arise from time to time. To accomplish this, Management strives to optimize its cost of capital while at the same time reducing 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 throughout the year as a result of drilling successes or failures, general economic conditions, the state of the petroleum industry and global events, all of which may affect commodity prices. Journey prepares an annual budget, which is approved by the Board of Directors, and is updated quarterly for acquisition and divestiture activity,

changes in commodity prices, and drilling successes. The budget is intended to be flexible and is re-evaluated at each regularly scheduled board meeting to ensure the Company's finances are being managed to maximize shareholder returns.

One of Journey's measures used to manage its capital structure using the non-GAAP measure of net debt to funds flow. Net debt is calculated as the sum of outstanding bank borrowings, principal amount of second-lien term debt, accounts payable and accrued liabilities, minus the aggregate of cash, accounts receivable, and prepaid expenses and deposits. While the most recent quarter's funds flow is often used as a benchmark for measuring the net debt to funds flow ratio, Journey factors in anomalies in current funds flow such as unusually low commodity prices and/or non-recurring operating costs. As at September 30, 2019 the net debt is higher than the desired operating level due significantly to the additional term debt of \$22,000 associated with the January of 2018 repurchase of 12,700 common shares. In addition, the widening of oil differentials in the fourth quarter of 2018 resulted in negative funds flow, which in turn reduced the Company's ability to repay debt. This additional leverage has resulted in the Company reducing capital expenditures in 2019 to aid in moving the net debt to funds flow ratio closer to the desired level.