



## **JOURNEY CLOSES TRANSFORMATIONAL ACQUISITION AND REPORTS THIRD QUARTER 2022 FINANCIAL AND OPERATING RESULTS**

CALGARY, October 31, 2022 /CNW/ - Journey Energy Inc. (JOY – TSX; JRNGF - OTCQX) (“**Journey**” or the “**Company**”) is pleased to announce the closing of its transformational acquisition as well as its financial and operating results for the three and nine month periods ending September 30, 2022. The complete set of financial statements and management discussion and analysis for the periods ended September 30, 2022 and 2021 are posted on [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.journeyenergy.ca](http://www.journeyenergy.ca).

### **CLOSING OF THE ENERPLUS TRANSACTION**

Journey announces that it has closed the acquisition for the purchase of petroleum and natural gas assets (the “**Acquisition**”) is currently producing approximately 4,000 boe/d (71% oil and NGL’s) as of October 31, 2022. The assets are located in the Medicine Hat, Kaybob, Ferrier, and Ante Creek areas of Alberta. The purchase price for the acquisition was \$140 million, prior to closing adjustments. The acquisition is highly accretive to both Adjusted Funds Flow and net asset value per share while still allowing the Company to maintain a conservative corporate leverage ratio.

In addition to the long-life stable production Journey has identified numerous near term optimization projects, infill drilling opportunities, along with waterflood and tertiary enhancements that will mitigate future declines. The acquisition comes with 1,847 square kilometers of 3D seismic data, and 18,666 linear kilometers of 2D seismic data, more than tripling Journey’s total seismic data base. As part of the closing, Journey’s largest shareholder and sole term debt provider, AIMCo, has not only consented to the Acquisition, but has also agreed to extend the maturity of its \$23.8 million tranche of term debt that was due on September 30, 2022 to March 31, 2023. The extension to the term debt will provide additional liquidity while the assets are integrated into Journey’s operations.

Immediately after closing the Acquisition, Journey’s estimated net debt will be approximately \$110 million; the outstanding common share count will be 57.9 million; and production from field estimates is estimated to be approximately 13,500 boe/d (55% liquids). Pro forma production for the Company is currently forecast to average 14,000 boe/d (55% liquids) in the first quarter of 2023.

### **2022 THIRD QUARTER AND YEAR-TO-DATE HIGHLIGHTS**

- Produced 9,504 boe/d in the third quarter comprised of 53% natural gas; 37% crude oil; and 10% NGL’s. For the nine months ended September 30 sales volumes increased 16% year over year.
- Generated Adjusted Funds Flow of \$22.7 million or \$0.43 per basic weighted average share in the third quarter and \$76.5 million (\$1.49 per share) for the year-to-date.
- On September 29, 2022 Alberta Investment Management Corporation, on behalf of its clients (“**AIMCo**”) exercised warrants to acquire 1.14 million shares of Journey at a purchase price of \$3.15/share.
- Reduced September 30, 2022 net debt by 76% to \$16.8 million from \$69.3 million at the end of the third quarter of 2021. Year-over-year Journey achieved production growth of 1,340 boe/d and a \$62.5 million reduction in net debt with the corresponding addition of only 6.4 million basic shares.
- Generated 7,610 megawatts of electricity at the Countess power plant at an average price of \$232.24/MW in the third quarter. To date in 2022, Journey has effectively converted 248,152 gj of natural gas for an equivalent selling price of \$15.13/gj by using its natural gas to generate electricity.

### Three and Nine Month Financial & Operating Highlights

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% change	2022	2021	% change
<b><i>Financial (\$000's except per share amounts)</i></b>						
Production revenue	54,265	33,083	64	168,052	84,179	100
Net income	15,479	92,243	(83)	57,445	93,589	(39)
Basic (\$/share)	0.29	2.02	(85)	1.12	2.10	(47)
Diluted (\$/share)	0.26	1.79	(85)	0.99	1.89	(48)
Adjusted Funds Flow	22,715	11,970	90	76,497	29,712	157
Basic (\$/share)	0.43	0.26	65	1.49	0.67	122
Diluted (\$/share)	0.38	0.23	65	1.32	0.60	120
Cash flow provided by operating activities	33,422	11,271	197	81,277	24,923	226
Basic (\$/share)	0.63	0.25	152	1.58	0.56	182
Diluted (\$/share)	0.56	0.22	155	1.40	0.56	182
Capital expenditures, before A&D	12,158	642	1,794	35,607	1,446	2,362
Net debt	16,781	69,340	(76)	16,781	69,340	(76)
<b><i>Share Capital (000's)</i></b>						
Basic, weighted average	52,735	45,661	15	51,317	44,552	15
Basic, end of period	52,722	47,525	11	52,722	47,525	11
Fully diluted	59,908	56,927	5	59,908	56,927	5
<b><i>Daily Sales Volumes</i></b>						
Natural gas (Mcf/d)						
Conventional	25,424	21,073	21	24,671	19,997	23
Coal bed methane	4,564	4,825	(5)	4,388	4,973	(12)
Total natural gas	29,988	25,898	16	29,059	24,970	16
Crude oil (bbl/d)						
Light/medium	2,908	2,499	16	2,769	2,323	19
Heavy	648	675	(4)	663	693	(4)
Total crude oil	3,556	3,174	12	3,432	3,016	14
Natural gas liquids (Bbl/d)	951	674	41	924	641	44
Barrels of oil equivalent (boe/d)	9,504	8,164	16	9,199	7,819	18
<b><i>Average Realized Prices</i></b>						
Natural gas (\$/mcf) <sup>1</sup>	5.20	3.56	46	5.78	3.20	81
Crude Oil (\$/bbl)	104.96	74.02	42	112.56	66.83	68
Natural gas liquids (\$/bbl)	63.96	48.09	33	66.32	41.80	59
Barrels of oil equivalent (\$/boe)	62.06	44.05	41	66.92	39.44	70
<b><i>Operating Netback (\$/boe)</i></b>						
Realized prices <sup>1</sup>	62.06	44.05	41	66.92	39.44	70
Royalties	(12.90)	(7.25)	78	(13.33)	(5.51)	142
Operating expenses	(21.19)	(17.08)	24	(18.86)	(16.28)	16
Transportation expenses	(0.73)	(0.53)	38	(0.63)	(0.51)	24
Operating netback	27.24	19.19	42	34.10	17.14	99

Notes:

1. Natural gas prices include physical hedging gains

## OPERATIONS

The Company spent \$12.2 million during the third quarter in its exploration and development programs. This amount was less than initially forecast as the Company positioned itself financially for closing the Acquisition, which concluded today. Much of the reduction from the original plan was a deferral to later months. The summer drilling program in Brooks was moved to mid-November and the Herronton drilling program was deferred to early 2024. In addition, completion of the Westerose, horizontal, glauconite well was delayed to October and the Cherhill program was moved to late 2022 and early 2023. On July 28, 2022 Journey announced a transformational acquisition of assets from Enerplus Corporation for \$140 million, prior to closing adjustments with a May 1, 2022 effective date. As equity markets deteriorated from late May into July 2022, Journey and Enerplus explored various means of financing the Acquisition without the use of external equity. Although today's closing of the transaction added a near term demand on Journey's available funds for the E&D program, the reduced dilution and expected long-term benefits created by the Acquisition necessitated the need to defer capital spending to insure Journey had the financial flexibility to close the Acquisition while meeting all of its near-term obligations.

The recent softening in commodity prices, and in particular natural gas and WCS oil, as well as the near term spike in power pricing has continued to pressure Journey's business model for 2022. This has resulted in a reduction to forecasted capital of \$6 million and \$10 million for 2022 and 2023 respectively. However, Journey remains poised to increase 2023 capital expenditures should market conditions improve beyond its initial base assumptions for 2023.

In the third quarter of 2022, Journey produced 9,504 boe/d (47% liquids), which was 16% higher than the 8,164 boe/d (47% liquids) in the same quarter of 2021. Journey's third quarter volumes were impacted by the following:

- phasing of capital expenditures to later in 2022 in order to ensure sufficient cash reserves are available at closing in an uncertain commodity price environment;
- deferring approximately \$6 million of capital projects into 2023 from 2022;
- minor third quarter production curtailments associated with NGTL's maintenance related mainline restrictions; and
- a larger turnaround on the recently acquired Carrot Creek facility than previously planned.

Year-over-year, Journey achieved production growth of 1,380 boe/d and a \$62.5 million reduction in net debt with the corresponding addition of only 6.4 million basic shares. On November 1, post-closing of the acquisition, Journey production from field estimates is expected to exceed 13,500 boe/d (54% liquids). Production levels are forecast to climb to 14,000 boe/d in the first quarter of 2023. For the entire year of 2023 production levels are forecast to be 14,000-14,500 boe/d with the implementation of Journey's currently projected \$70 million capital program. The 2023 budgeted capital program contains \$40 million for drilling and completions; \$8 million for facilities; \$3 million for land and seismic; \$14 million for power; and \$5 million abandonment and reclamation costs. The ability to maintain or slightly grow production levels with only \$40 million of drilling and completion capital is a testament to Journey's low decline asset base.

Operating costs for the third quarter were also higher than previously forecast. These operating costs were influenced by one-time factors including but not limited to:

- a spike in power costs for August and September. These higher costs continued into early October and although power costs are declining Journey has increased its operating cost forecast for the combined business in 2023 in order to account for this;
- a larger than anticipated turnaround in Carrot Creek;
- a minor one time increase in repair and maintenance costs; and
- increased downtime resulting in slightly higher costs on a per unit basis.

Journey has incorporated minor increases in operating costs for its 2023 guidance to account for escalation in input costs such as power prices and chemicals.

Journey's 2022 capital program will see Journey participating in 15 (12.6 net) wells in six different areas, versus the original planned program of 17 (15 net) wells in seven areas. This has resulted in a reduction in Journey's E&D portion of the 2022 capital program from \$59 million to \$53 million. However, Journey has increased the power generation budget to \$5.8 million with the purchase of a total of 17 megawatts of power generation units.

Previously, Journey announced two farm-ins, which provide significant optionality on over 19,000 acres of undeveloped land. These transactions, along with the equity financing, which closed in March have helped shape the 2022 capital program. Journey satisfied its drilling requirements on the Westerose lands and is intending to drill two Brooks wells starting in mid-November of 2022 to satisfy the remaining commitments in southern Alberta. In October, Journey completed its Westerose horizontal well over the two mile pay interval. This well was tested at commercial rates in October. The well has been recovering significant load fluid and has also produced a minor amount of hydrogen sulfide (H<sub>2</sub>S) gas. Both water rates and H<sub>2</sub>S levels continued to decrease, while the natural gas rate continued increasing to approximately 100 E3M3/d (3.5 mmscf/d) at 320 psi flowing pressure. The well is now shut-in for buildup. Post completion, the well was determined to have a low cement top and will require remedial cementing prior to being brought on-production. Along with this, additional on-site equipment will be required on a temporary basis to process wellbore production. These factors have delayed the on-production date to early in 2023 and Journey forecasts bringing the well on at a controlled rate of approximately 350 boe/d.

Between November 15 and winter breakup, Journey plans on participating in 2 (2.0 net) wells in Brooks, 3 (2.7 net) wells in Cherhill, and 2 (2.0 net) wells in Matziwin, along with a number of exploitation projects and injector conversions in both Matziwin (3) and Skiff (1). Journey's Board of Directors has approved a preliminary capital budget of \$16.7 and \$16.6 million for the fourth quarter of 2022 and the first quarter of 2023 respectively.

Journey is currently planning to drill 18 (13.4 net) wells in 2023 with locations distributed between multiple core areas. Journey's production guidance reflects the fact that the \$70 million capital program is weighted to the middle of 2023. Based upon this scheduling, the increased capital spending could be added to the fourth quarter in a more favorable environment; or capital could be shifted from the third quarter to the fourth quarter; or eliminated in a less favorable environment, thereby providing the Company significant flexibility to meet all of its near term obligations under a wide range of market conditions. Journey continues to review minor divestments to improve efficiency, reduce asset retirement obligations, and provide financial flexibility. No divestments are included in the base case forecast nor has Journey budgeted any additional acquisitions for 2023. However, opportunities to profitably expand the business will continue to remain a focus for the Company.

## **GILBY POWER GENERATION PROJECT**

Journey has received preliminary approval to install its second power generation facility, a 15.5 megawatt facility, which will be located at Gilby. The Company has proactively acquired 17 megawatts (three 2.8 megawatt units; and one 8.6 megawatt unit) of generation capacity and is currently in the process of transporting these generators to Gilby. Journey is in the process of procuring additional, longer delivery items and has also commenced the detailed engineering for this project. The on-stream date for this project is currently expected to be in late 2023. Total costs for this project are estimated at \$20 million including contingency costs with approximately 30% of the capital being spent in 2022 and the remainder budgeted for 2023. In the third quarter of 2022, Journey experienced a record high cost for power in its field operations. For perspective, power costs in 2020 averaged 5.5 ¢/kw; in 2021 they averaged 9.5 ¢/kw; and for August and September averaged 25-28 ¢/kw. Although this was challenging for Journey in the third quarter and is forecast

to continue in the near term, it vindicates Journey's longer term strategy to ensure we place more power on the power grid than what we remove from the grid to operate its oil fields. By the time the Gilby power project is on stream, Journey will be in this position and by then Journey will be planning additional power installations to be a net power seller.

## FINANCIAL

The theme for the third quarter was to bolster Journey's finances in preparation for the closing of the Acquisition that was announced on July 28, 2022. The Company underspent its Adjusted Funds Flows during the third quarter and as a result net debt decreased to an all-time low of \$16.8 million. The solid Adjusted Funds Fund of \$22.7 million generated in the third quarter was the result of continued strong commodity prices during the quarter. Despite a decline in natural gas prices during the quarter, which in part was attributable to the main Nova transmission line scheduled maintenance, Journey was able to mitigate this price decline with a physical hedge at \$7.28/gj on 10,000 gj/d. Average corporate realized prices were \$62.06/boe for the third quarter and were 41% higher than the same quarter of 2021. Realized crude oil prices during the third quarter of 2022 averaged \$104.96/bbl, which was 42% higher than the \$74.02/bbl realized in the third quarter of 2021. The combination of production from the corporate acquisition, which was completed on April 1, of 610 boe/d (52% oil and NGL's), plus the 9 (8.5 net) successful wells that were drilled and placed on-production throughout the year, contributed to the 64% increase in sales revenues in the third quarter of 2022 over the third quarter of 2021. Crude oil sales volumes for the third quarter of 2022 represented 37% of total boe volumes but contributed 63% of total petroleum and natural gas revenues. Similarly, natural gas prices were 46% higher in the third quarter to average \$5.20/mcf as compared to \$3.56 in the third quarter of 2021. Natural gas sales volumes contributed 53% of total boe sales volumes for the nine months of 2022 while contributing 27% of total sales revenues.

All of the field operating costs (royalties, operating and transportation expenses) experienced increases during the third quarter of 2022 as compared to the same quarter of 2021. These increases were due to the combination of a 16% increase in average sales volumes; higher reference prices used for royalties and for operating expenses there were inflationary cost escalations. Royalty expense was higher by 107% in the third quarter in 2022 as compared to the same quarter in 2021 as was expected with the strong appreciation in commodity prices. On a per boe basis royalty expense was \$12.90/boe in 2022 as compared to \$7.25 in the third quarter of 2021. Aggregate field operating expenses increased in 2022 as the acquisitions, reactivations, higher power prices, and general inflationary pressures contributed to the total increase. Included in the third quarter expense was \$2.5 million of workover and turnaround costs incurred and accounted for approximately \$2.88/boe of the total operating expenses. Journey averaged \$21.19/boe for the third quarter of 2022 as compared to \$17.08/boe in the same quarter of 2021.

Journey's general and administrative ("G&A") costs were higher in 2022 by 15% as compared to the same quarter in 2021. G&A increased to \$1.1 million in the third quarter of 2022 as compared to \$0.96 million in the third quarter of 2021. On a per boe basis, the rate decreased by 2% to \$1.26/boe for the third quarter of 2022 as compared to \$1.28/boe for the third quarter of 2021.

Finance expenses related to borrowings, or interest costs, decreased by 15% to \$1.65 million in the third quarter of 2022 from \$1.9 million in the same quarter of 2021. Average, interest-bearing debt decreased by 15% in the third quarter of 2022 compared to the same quarter of 2021 mainly due to the repayment of \$25.0 million of term debt throughout 2021.

Journey realized net income of \$15.5 million in the third quarter of 2022 compared to net income of \$92.2 million in the same quarter of 2021. The net income in 2021 was inordinately high due to an \$84.5 million impairment recovery recognized in the third quarter of that year. Net income per basic and diluted per share was \$0.29 and \$0.26 respectively for the third quarter. Adjusted Funds Flow in the third quarter was 90%

higher in 2022, wherein the Company generated \$22.7 million, or \$0.43 and \$0.37 per basic and diluted share as compared to \$12.0 million, or \$0.26 basic and \$ 0.23 per diluted per share in the same quarter of 2021. Cash flow from operations was \$33.4 million in the third quarter of 2022 (\$0.63 per basic share and \$0.56 per diluted share) as compared to \$11.3 million in the third quarter of 2021 or \$0.25 and \$0.22 per basic and diluted share respectively.

Journey continued to be prudent with its capital spending during the third quarter. Total capital expenditures in the third quarter were \$13.7 million. This included \$11.6 million for drilling, completing and tying-in 4 (3.5 net) wells in Westeros and Countess as well as \$1.2 million spent on abandonment and reclamation work.

## OUTLOOK & GUIDANCE

With the Acquisition now closed, Journey has updated its guidance. The guidance is preliminary in nature and incorporates many material underlying assumptions including but not limited to:

- Forecasted commodity prices by month
- Assumptions of VTB principle payments based upon forecasted commodity prices
- Forecasted operating costs, including forecasted prices for power
- Forecasted costs for the capital program
- Forecasted results and phasing of production additions from the capital program

	2022 Revised	2023 Preliminary
Annual average daily sales volumes	9,800-10,100 boe/d (49% crude oil & NGL's)	14,000-14,500 boe/d (54% crude oil & NGL's)
Adjusted Funds Flow	\$106 - \$108 million	\$138 - \$145 million
Adjusted Funds Flow per basic weighted average share	\$2.02 - \$2.06	\$2.38 - \$2.50
E&D plus ARO capital spending	\$48 million	\$56 million
Power asset capital spending	\$6 million	\$14 million
<u>Capital spending (A&amp;D):</u>		
Cash portion	\$108 million	-
Equity portion	\$25 million	-
Year-end net debt	\$97 – \$99 million	\$20 - \$27 million
Commodity prices <sup>1</sup> :		
WTI (USD \$/bbl)	\$95.25	\$85.00
MSW oil differentials (USD \$/bbl) AECO	\$3.40	\$4.00
AECO natural gas (CAD \$/mcf)	\$5.20	\$4.65
CAD/USD foreign exchange	\$0.77	\$0.74

### Note:

1. Commodity prices represent full year averages.

In 2021 and now in 2022 Journey has embarked on a careful and prudent expansion of its business plan. Journey has achieved or exceeded all of its internal targets and created significant value for all stakeholders. This expansion has been buoyed by commodity price tailwinds and would not be possible without the talented team at Journey, both in the office and the field. Journey also recognizes the steady guidance supplied by its Board of Directors and the unyielding support of AIMCo, the Company's term debt provider and largest shareholder. Together, with the support of this team, your Company is extremely well positioned to continue its journey of value creation and maintain its growth trajectory for years to come. The Company looks forward to updating you on Journey's progress as we continue on this exciting development path.

## About the Company

Journey is a Canadian exploration and production company focused on conventional, oil-weighted operations in western Canada. Journey's strategy is to grow its production base by drilling on its existing core lands, implementing water flood projects, executing on accretive acquisitions. Journey seeks to optimize its legacy oil pools on existing lands through the application of best practices in horizontal drilling and, where feasible, with water floods.

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## ADVISORIES

*This press release contains forward-looking statements and forward-looking information (collectively "forward looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of the anticipated future operations, management focus, strategies, financial, operating and production results, industry conditions, commodity prices and business opportunities. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding decline rates, anticipated netbacks, drilling inventory, estimated average drill, complete and equip and tie-in costs, anticipated potential of the Assets including, but not limited to, EOR performance and opportunities, capacity of infrastructure, potential reduction in operating costs, production guidance, total payout ratio, capital program and allocation thereof, future production, decline rates, funds flow, net debt, net debt to funds flow, exchange rates, reserve life, development and drilling plans, well economics, future cost reductions, potential growth, and the source of funding Journey's capital spending. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future.*

*The forward-looking information is based on certain key expectations and assumptions made by management, including expectations and assumptions concerning prevailing commodity prices and differentials, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; the ability to efficiently integrate assets and employees acquired through acquisitions, including the Acquisition, the ability to market oil and natural gas successfully and the ability to access capital. Although we believe that the expectations and assumptions on which such forward-looking*

*information is based are reasonable, undue reliance should not be placed on the forward-looking information because Journey can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on future operations and such information may not be appropriate for other purposes.*

*Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). These forward looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.*

*This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Journey's prospective results of operations, funds flow, netbacks, debt, payout ratio well economics and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was made as of the date of this press release and was provided for providing further information about Journey's anticipated future business operations. Journey disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, which involves substantial known and unknown risks and uncertainties, most of which are beyond the control of Journey, including, without limitation, those listed under "Risk Factors" and "Forward Looking Statements" in the Annual Information Form filed on [www.SEDAR.com](http://www.SEDAR.com) on March 31, 2022. Forward-looking information may relate to the future outlook and anticipated events or results and may include statements regarding the business strategy and plans and objectives. Particularly, forward-looking information in this press release includes, but is not limited to, information concerning Journey's drilling and other operational plans, production rates, and long-term objectives. Journey cautions investors in Journey's securities about important factors that could cause Journey's actual results to differ materially from those projected in any forward-looking statements included in this press release. Information in this press release about Journey's prospective funds flows and financial position is based on assumptions about future events, including economic conditions and courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that information regarding Journey's financial outlook should not be used for purposes other than those disclosed herein. Forward-looking information contained in this press release is based on current estimates, expectations and projections, which we believe are reasonable as of the current date. No assurance can be given that the expectations set out in the Prospectus or herein will prove to be correct and accordingly, you should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time except as required by applicable securities law.*

### ***Non-IFRS Measures***

*The Company uses the following non-IFRS measures in evaluating corporate performance. These terms do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures by other companies.*

- (1) **“Adjusted 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; non-recurring “other” income; transaction costs; and decommissioning costs. Adjusted Funds Flow per share is calculated as Adjusted Funds Flow divided by the weighted-average number of shares outstanding in the period. Because Adjusted Funds Flow and Adjusted 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 the GAAP measured “cash flow generated from operating activities”. In addition, Journey excludes transaction costs from the definition of Adjusted Funds Flow, as these expenses are generally in respect of capital acquisition transactions. The Company considers Adjusted 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 Adjusted Funds Flow may not be comparable to that reported by other companies. Journey also presents **“Adjusted Funds Flow per basic 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.
- (2) **“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. Management also uses them in operational and capital allocation decisions. Journey uses netbacks to assess its own performance and performance in relation to its peers. These netbacks are 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. There is no GAAP measure that is reasonably comparable to netbacks.
- (3) **“Net debt”** is calculated by taking current assets and then subtracting accounts payable and accrued liabilities; the principal amount of term debt; other loans; and the principal amount of the contingent bank liability. Net debt is used to assess the capital efficiency, liquidity and general financial strength of the Company. In addition, net debt is used as a comparison tool to assess financial strength in relation to Journey’s peers.

	Sep. 30, 2022	Sep. 30, 2021	% Change	Sep. 30, 2022	Dec. 31, 2021	% Change
Principal amount of term debt	67,580	71,784	(6)	67,580	81,697	(17)
Accounts payable and accrued liabilities	37,020	16,765	121	37,020	20,441	81
Other liability - contingent bank debt <sup>1</sup>	5,000	5,750	(13)	5,000	5,750	(13)
Other loans	419	156	169	419	156	169
<u>Deduct:</u>						
Cash in bank (incl. restricted cash)	(41,571)	(7,897)	426	(41,571)	(15,677)	165
Accounts receivable	(23,407)	(14,178)	65	(23,407)	(20,180)	16
Prepaid expenses	(28,260)	(3,040)	830	(28,260)	(1,049)	2,594
<b>Net debt</b>	<b>16,781</b>	<b>69,340</b>	<b>(76)</b>	<b>16,781</b>	<b>57,021</b>	<b>(71)</b>

- (4) Journey uses **“Capital Expenditures”** to measure its capital investment level compared to the Company’s annual budgeted capital expenditures for its organic capital program, excluding acquisitions or dispositions. The directly comparable GAAP measure to capital expenditures is cash used in investing activities. Journey then adjusts its capital expenditures for A&D activity to give a more complete analysis for its capital spending used for FD&A purposes. The capital spending for A&D purposes has been adjusted to reflect the non-cash component of the consideration paid (i.e.

shares issued). The following table details the composition of capital expenditures and its reconciliation to cash flow used in investing activities:

	Three months ended Sep. 30,			Nine months ended Sep. 30,		
	2022	2021	% Change	2022	2021	% Change
<i>Cash expenditures:</i>						
Land and lease rentals	240	83	190	806	305	164
Geological and geophysical	16	-	-	63	-	-
Drilling and completions	9,365	147	6,271	25,788	139	18,452
Well equipment and facilities	2,187	412	431	6,272	813	671
Power generation	350	-	-	2,678	189	1,317
<b>Total capital expenditures</b>	<b>12,158</b>	642	1,794	<b>35,607</b>	1,446	2,362
Corporate acquisition (cash plus equity)	-	2,530	-	18,920	2,530	6,478
PP&E acquisitions	2,945	-	-	7,897	-	-
PP&E dispositions	(2,641)	-	-	(3,000)	(47)	6,283
<b>Net capital expenditures</b>	<b>12,462</b>	3,132	298	<b>59,424</b>	3,929	1,412
<i>Other expenditures:</i>						
Decommissioning liability costs incurred	1,228	3,347	(73)	2,526	4,176	(40)
<b>Total capital expenditures</b>	<b>13,690</b>	6,479	111	<b>61,950</b>	8,105	664

## Measurements

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

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 nine (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.

## Abbreviations

The following abbreviations are used throughout these MD&A and have the ascribed meanings:

A&D	acquisition and divestiture of petroleum and natural gas assets
bbl	barrel
bbls	barrels
boe	barrels of oil equivalent (see conversion statement below)
boe/d	barrels of oil equivalent per day
E&D	exploration and development activities as defined in the COGE Handbook
Gj & gj/d	Gigajoules and gigajoules per day respectively
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
mbbls	thousand barrels
mmbtu	million British thermal units
mboe	thousand boe
mcf	thousand cubic feet
mmcf	million cubic feet

<i>mmcf/d</i>	<i>million cubic feet per day</i>
<i>MSW</i>	<i>Mixed sweet Alberta benchmark oil price</i>
<i>NGL's</i>	<i>natural gas liquids (ethane, propane, butane and condensate)</i>
<i>WCS</i>	<i>Western Canada Select benchmark oil price</i>
<i>WI</i>	<i>Working interest</i>
<i>WTI</i>	<i>West Texas Intermediate benchmark Oil price</i>

*All volumes in this press release refer to the sales volumes of crude oil, natural gas and associated by-products measured at the point of sale to third-party purchasers. For natural gas, this occurs after the removal of natural gas liquids.*

*No securities regulatory authority has either approved or disapproved of the contents of this press release.*