JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Financial Position *(unaudited)*
(in thousands of Canadian dollars)

	Note	**June 30, 2015**	December 31, 2014
ASSETS			
CURRENT			
Cash		**1,223**	-
Accounts receivable		**19,031**	24,343
Derivative contracts	18(b)	**262**	10,837
Prepaid expenses and deposits		**3,069**	2,081
		23,585	37,261
Property, plant and equipment	5	**399,665**	396,668
Exploration and evaluation assets	6	**19,202**	19,428
Deferred tax asset		**120,164**	110,231
		562,616	563,588
LIABILITIES			
CURRENT			
Bank indebtedness		**-**	3,557
Accounts payable and accrued liabilities		**29,685**	40,352
Deferred lease obligation		**62**	65
Decommissioning liabilities	10	**1,496**	3,515
Dividends payable	12	**1,111**	2,623
		32,354	50,112
Deferred lease obligation		**482**	527
Bank debt	8	**89,832**	79,875
Decommissioning liabilities	10	**162,386**	158,387
		285,054	288,901
EQUITY			
Share capital	11	**378,138**	374,538
Contributed Surplus	14	**9,638**	7,225
Deficit		**(110,214)**	(107,076)
		277,562	274,687
		562,616	563,588
Commitments	21		

See accompanying notes.

APPROVED BY THE BOARD

"Signed" **Stephen W. C. Mulherin, Director**

"Signed" **Alex G. Verge, Director**

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Income *(unaudited)*

For the three and six months ended June 30, 2015 and 2014

(in thousands of Canadian dollars, except per share data)

	Note	Three months ended June 30, **2015**	Three months ended June 30, 2014	Six months ended June 30, **2015**	Six months ended June 30, 2014
REVENUE					
Petroleum and natural gas sales	23	**35,329**	61,764	**66,283**	103,400
Royalties		**(4,039)**	(12,237)	**(8,154)**	(18,158)
		31,290	49,527	**58,129**	85,242
EXPENSES					
Operating		**14,120**	16,171	**28,925**	25,030
Transportation	23	**588**	309	**1,653**	668
Loss (gain) on derivative contracts	18(b)	**149**	4,631	**(1,182)**	13,602
General and administrative		**3,181**	3,226	**6,189**	6,162
Share based compensation	13	**842**	65	**1,855**	2,760
Exploration and evaluation	6	**367**	231	**1,540**	375
Loss (gain) on disposal of assets		**70**	-	**(3,269)**	-
Transaction costs		**-**	573	**-**	1,626
Depletion and depreciation	5	**12,452**	13,859	**25,263**	23,240
Finance expenses	15	**1,753**	4,570	**3,464**	6,434
		33,522	43,635	**64,438**	79,897
NET INCOME (LOSS) BEFORE TAXES		**(2,232)**	5,892	**(6,309)**	5,345
TAXES					
Deferred income tax expense (recovery)	16	**(9,078)**	2,412	**(9,783)**	2,985
NET INCOME AND COMPREHENSIVE INCOME		**6,846**	3,480	**3,474**	2,360
NET INCOME PER SHARE	17				
Basic		**0.16**	0.12	**0.08**	0.09
Diluted		**0.15**	0.12	**0.08**	0.08

See accompanying notes.

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Changes in Equity *(unaudited)*
(in thousands of Canadian dollars)

	Share Capital $	Contributed Surplus $	Deficit $	Total Equity $
Balance, January 1, 2015	374,538	7,225	(107,076)	274,687
Comprehensive income	-	-	3,474	3,474
Employee share options, value of services recognized	-	2,413	-	2,413
Dividend reinvestment and stock dividend	3,490	-	-	3,490
Dividends	-	-	(6,612)	(6,612)
Tax benefit from share issue costs	150	-	-	150
Share issue costs	(40)	-	-	(40)
Balance, June 30, 2015	**378,138**	**9,638**	**(110,214)**	**277,562**

	Share Capital $	Contributed Surplus $	Deficit $	Total Equity $
Balance, January 1, 2014	661,878	5,692	(462,068)	205,502
Comprehensive loss	-	-	2,360	2,360
Employee share options, value of services recognized	-	3,054	-	3,054
Employee share ownership plan	130	(130)	-	-
Accumulated deficit elimination	(463,188)	-	463,188	-
Common shares issued, net of share issue costs	156,136	-	-	156,136
Tax benefit from share issue costs	2,965	-	-	2,965
Flow-through shares issued	10,000	-	-	10,000
Premium on flow-through shares	(890)	-	-	(890)
Issued on exercise of options and warrants	5,086	(3,209)	-	1,877
Issued on settlement of restricted share units	53	(53)	-	-
Common control disposition, net of deferred income tax	-	-	(2,449)	(2,449)
Balance, June 30, 2014	372,170	5,354	1,031	378,555

JOURNEY ENERGY INC.

Condensed Consolidated Interim Statement of Cash Flows *(unaudited)*

For the three and six months ended June 30, 2015 and 2014 *(in thousands of Canadian dollars)*

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:					
OPERATING					
Net Income		**6,846**	3,480	**3,474**	2,360
Adjustments for:					
Unrealized loss (gain) on derivative contracts	18(b)	**1,637**	634	**10,575**	8,011
Share based compensation	13	**842**	65	**1,855**	2,760
Depletion and depreciation	5	**12,452**	13,859	**25,263**	23,240
Gain on disposal of assets		**70**	-	**(3,269)**	-
Accretion of decommissioning liabilities	10	**904**	842	**1,748**	1,320
Deferred income tax expense (recovery)	16	**(9,078)**	2,412	**(9,783)**	2,985
Exploration and evaluation expense	6	**367**	231	**1,540**	375
Decommissioning costs incurred	10	**(202)**	(165)	**(430)**	(633)
		13,838	21,358	**30,973**	40,418
Changes in non-cash working capital	19(a)	**(9,076)**	6,999	**141**	1,446
		4,762	28,357	**31,114**	41,864
FINANCING					
Changes in bank debt		**4,832**	(145,500)	**9,957**	(5,500)
Deferred financing charge		**168**	500	**43**	500
Proceeds from issuance of promissory notes	9	**-**	-	**-**	43,059
Repayment of promissory notes	9	**-**	(43,059)	**-**	(43,059)
Dividends	12	**(1,650)**	-	**(4,634)**	-
Proceeds from option/warrant exercises		**-**	1,877	**-**	1,877
Issuance of flow-through shares		**-**	10,000	**-**	10,000
Issuance of share capital, net of issue costs		**-**	156,136	**(40)**	156,136
		3,350	(20,046)	**5,326**	163,013
INVESTING					
Additions to petroleum and natural gas properties	5	**(2,894)**	(16,639)	**(20,434)**	(36,688)
Additions to exploration and evaluation assets	6	**(1,824)**	(363)	**(1,867)**	(3,113)
Additions to administrative assets	5	**(34)**	(79)	**(42)**	(402)
Acquisition of producing petroleum and natural gas assets and exploration and evaluation assets	4	**(58)**	2,993	**(3,353)**	(170,284)
Disposition of producing petroleum and natural gas assets and exploration and evaluation assets		**7**	-	**611**	-
Changes in non-cash working capital	19(a)	**(3,915)**	3,281	**(6,575)**	5,261
		(8,718)	(10,807)	**(31,660)**	(205,226)
NET (DECREASE) INCREASE IN BANK INDEBTEDNESS		**(606)**	(2,496)	**4,780**	(349)
BANK INDEBTEDNESS, BEGINNING OF PERIOD		**1,829**	(614)	**(3,557)**	(2,761)
CASH (BANK INDEBTEDNESS), END OF PERIOD		**1,223**	(3,110)	**1,223**	(3,110)
Supplementary cash flow information	19 (b)				

See accompanying notes.

1. INCORPORATION AND NATURE OF BUSINESS

Journey Energy Inc. ("Journey" or "the Company"), then named Sword Energy Inc. ("SEI") was formed on June 26, 2007. Effective July 1, 2012 SEI underwent a corporate and operational reorganization pursuant to which SEI amalgamated with its wholly owned subsidiaries, 1685763 Alberta Ltd., Capex Exploration Ltd. Subsequently, SEI and 1317139 Alberta Ltd. amalgamated to continue as Sword Energy Inc. Immediately thereafter, SEI amended its articles to change its name to Journey Energy Inc. Journey became a publicly traded entity on June 19, 2014, the day on which the shares became listed on the Toronto Stock Exchange.

These condensed consolidated financial statements present the results of operations for the Journey group of entities. Journey is comprised of the following entities: the Company, Journey Energy Partnership and 1332993 Alberta Ltd.

Journey is engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta, Canada. 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

a) Statement of compliance

These condensed consolidated interim financial statements, the "Financial Statements", including prior year comparative information, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), that are applicable to interim financial statements. These Financial Statements have been prepared following the same accounting policies and method of computation as the audited annual consolidated financial statements for the year ended December 31, 2014. Certain information and disclosures normally included in the notes to the audited annual consolidated statements have been condensed or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2014, which were prepared in accordance with IFRS as issued by the IASB. These Financial Statements for the period ended June 30, 2015 were authorized for issuance in accordance with a resolution of the audit committee of the Board of Directors on August 12, 2015.

b) Functional and presentation currency and share data

The Financial Statements are presented in Canadian Dollars, the Company's functional currency and all amounts are rounded to the nearest thousand (Canadian $'000) except where otherwise indicated. Share data is presented in thousands of shares except for per share data. The Financial Statements have, in management's opinion, been prepared using careful judgment within the framework of the significant policies summarized in the notes to the December 31, 2014 consolidated financial statements. On May 2, 2014 the Company held a shareholders meeting and approved the consolidation of the Company's shares on a two for one basis. The share consolidation is reflected retrospectively in these Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

During the six months ended June 30, 2015 the Company did not adopt any new or amended accounting standards or interpretations.

Future Changes in Accounting Standards

There were no new or amended accounting standards or interpretations issued during the period ended June 30, 2015 that will affect the Company's future reporting periods. A summary of accounting standards and interpretations that will have an impact on future reporting periods of the Company are described in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2014.

4. ACQUISITION

On February 6, 2015 the Company closed the acquisition of light oil and natural gas properties in the Pembina area, which increased the Company's existing working interest in the properties. The property acquisition was accounted for as a business combination under IFRS 3. This property acquisition contributed $611 to revenue and $288 to net operating income for the post acquisition period. If the properties would have been acquired January 1, 2015 the effect on revenue would have been $784 and a $366 impact on operating income.

Fair value of net assets acquired [(1)]	**$**
Petroleum and natural gas properties	7,926
Exploration and evaluation assets	25
Decommissioning liability	(323)
	7,628
Consideration:	
Cash	**3,354**
Fair value of assets transferred	**4,274**
	7,628

(1) The above amounts were estimates made by management with the information available at the time of the preparation of these financial statements. Amendments may be made to these amounts as values that were subject to estimate are finalized.

5. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	**Administrative**	**Total**
Balance, January 1, 2014	1,012,208	3,673	1,015,881
Additions	86,848	467	87,315
Acquisition of producing petroleum and natural gas assets	182,389	-	182,389
Transfer to assets distributed	(662)	-	(662)
Changes in decommissioning obligations	78,964	-	78,964
Capitalized share-based compensation	932	-	932
Dispositions of producing petroleum and natural gas assets	(10,294)	-	(10,294)
Transfer from exploration and evaluation assets	572	-	572
Balance, December 31, 2014	1,350,957	4,140	1,355,097

	Petroleum and natural gas properties	Administrative	Total
Additions	20,434	42	20,476
Acquisition of producing petroleum and natural gas assets	7,926	-	7,926
Disposition of producing petroleum and natural gas assets	(7,877)	-	(7,877)
Changes in decommissioning obligations	1,715	-	1,715
Capitalized share-based compensation	558	-	558
Transfer from exploration and evaluation assets	350	-	350
Balance, June 30, 2015	**1,374,063**	**4,182**	**1,378,245**

	Petroleum and natural gas properties	Administrative	Total
Accumulated Depletion, Depreciation and Impairment losses			
Balance, January 1, 2014	(754,740)	(3,070)	(757,810)
Provision for the year	(54,793)	(289)	(55,082)
Disposals	6,870	-	6,870
Impairment loss	(152,407)	-	(152,407)
Balance, December 31, 2014	(955,070)	(3,359)	(958,429)
Provision for the period	(25,128)	(135)	(25,263)
Disposals	5,112	-	5,112
Balance, June 30, 2015	**(975,086)**	**(3,494)**	**(978,580)**

	Petroleum and natural gas properties	Administrative	Total
Carrying Amounts, as at			
January 1, 2014	257,468	603	258,071
December 31, 2014	395,887	781	396,668
June 30, 2015	**398,977**	**688**	**399,665**

Future development costs on proved plus probable undeveloped reserves of $199,288 (December 31, 2014 - $204,704) were included in the depletion calculation. During the period ended June 30, 2015, the Company capitalized $840 (December 31, 2014 - $1,890) in general and administrative expenses directly related to developmental drilling salaries, wages and benefits and $558 (December 31, 2014 – $932) related to share based compensation.

6. EXPLORATION AND EVALUATION ASSETS

	$
Balance, January 1, 2014	7,132
Additions	6,607
Acquisitions	12,902
Disposals	(98)
Transfer to petroleum and natural gas properties	(572)
Lease expiries	(581)
Impairment	(5,962)
Balance, December 31, 2014	19,428
Additions	1,867
Acquisitions	25
Disposals	(228)
Transfer to petroleum and natural gas properties	(350)
Lease expiries	(1,540)
Balance, June 30, 2015	**19,202**

Exploration and evaluation assets consist of the Company's undeveloped lands which are pending the determination of proven and/or probable reserves. For the period ended June 30, 2015 $350 (year ended December 31, 2014 - $572) was transferred to property, plant and equipment following the successful discovery of proven and/or probable reserves.

7. ASSETS DISTRIBUTED

Upon closing the acquisition on March 14, 2014 the Company determined that a portion of the assets acquired were non-core in relation to its future plans and were therefore classified as assets held for distribution. The fair value less cost to dispose was determined with a discounted cash flow approach based on proved plus probable reserves and market commodity prices. Journey used a risk adjusted discount rate of 16% to determine the fair value at the measurement date (level 3 inputs). The associated liabilities related to decommissioning were classified as current liabilities and were recorded using the credit adjusted risk free rate. The assets were distributed to Gas Lite Energy Inc. ("Gas Lite"), a related entity through common directors and shareholders. The assets were transferred for nominal proceeds and Journey retained a 1% interest in the assets transferred in order to maintain operatorship as Gas Lite does not have any employees. As part of the transaction, the net income of the assets for the period between effective date and closing date of $662 was added to the petroleum and natural gas properties. The asset disposition closed on April 28, 2014. The transaction was accounted for as a common control transaction and the difference between fair value of assets and decommissioning obligation distributed was offset against Journey's deficit.

Fair value of assets distributed	**$**
Petroleum and natural gas properties	27,223
Exploration and evaluation assets	2,035
Decommissioning obligation	(26,281)
Total	**2,977**

8. BANK DEBT

As at June 30, 2015, Journey had a $205,000 (December 31, 2014 - $205,000) credit facility with a syndicate of banks. This facility was comprised of a production facility of $190,000 and a working capital facility of $15,000. The production and working capital facility are available on a revolving basis for a period of at least 364 days until April 28, 2016, which is the next annual review and renewal date.

Following this date and without any renewal, the facilities will be available on a non-revolving basis for 352 days, with a bullet payment of all outstanding amounts by the term maturity date of April 28, 2017. Advances under the production facility are available by way of prime rate loans with interest rates of between 1.0 percent and 2.5 percent over the banks' prime lending rates. In addition to these 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 3.5 percent and depending on the debt to cash flow ratio as calculated at the Company's immediately preceding quarters' end. Standby fees are charged on the undrawn facilities at rates ranging from 0.5 percent to 0.875 percent depending on the debt to cash flow ratio as calculated at the Company's immediately preceding quarters' end. The effective annualized interest rate for the period ended June 30, 2015 was 4.1% (2014 – 5.8%).

The credit facilities are secured by a $500,000 fixed and floating charge debenture over the petroleum and natural gas properties and all other assets of Journey. The facilities are subject to a semi-annual review, at which time the lenders may re-determine the borrowing base. Journey has a covenant that it will not draw on its facility in excess of $150,000 without the approval of the syndicate. In addition, there are certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all covenants as at June 30, 2015 and December 31, 2014.

	June 30, 2015	December 31, 2014
Revolving credit facility	**90,000**	80,000
Unamortized deferred financing costs	**(168)**	(125)
Balance, at end of period	**89,832**	79,875

9. PROMISSORY NOTE

On March 14, 2014, Journey entered into a note purchase agreement pursuant to which it issued $43,059 in promissory notes (the "Notes") to Infra-PSP Canada Inc., a wholly-owned subsidiary of Public Sector Pension Investment Board, and an affiliate of Infra-PSP Partners Inc., a related party. On April 28, 2014 certain amendments were made to the Notes including consents required for the disposition of a 99% working interest in the Majorville, Enchant, Turin, and Carmangay areas of Southern Alberta, together with assets in the Leckie and Herronton areas of Southern Alberta. The Notes were initially set to mature on October 28, 2016 but concurrent with the closing of the equity issuance (note 11(iv)) on June 19, 2014, were repaid in full with no penalty for early settlement.

10. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the net ownership interests it has in petroleum and natural gas assets, which include: well sites, gathering systems, processing facilities and batteries. The Company estimates the total undiscounted, unescalated amount of cash flows required to settle its decommissioning liabilities at June 30, 2015 to be $176,947 (December 31, 2014 - $176,808) which will be incurred at various times between 2015 and 2038. The present value of the decommissioning liabilities incurred in the period ended June 30, 2015 was calculated using a risk free rate of 2.2% (December 31, 2014 – 2.2%) and an inflation factor of 2.0% (December 31, 2014 – 2.0%). Settlement of the liabilities will be funded from general corporate funds at the time of retirement or removal. As at June 30, 2015, no funds have been set aside to settle these obligations. Changes to decommissioning liabilities during the periods were as follows:

	June 30, 2015	December 31, 2014
Balance, at beginning of period	**161,902**	57,164
Liabilities acquired	**323**	25,671
Revaluation of liabilities acquired[1]	**731**	44,590
Liabilities disposed	**(1,376)**	(1,167)
Incurred on development activities	**917**	1,237
Liabilities settled	**(430)**	(1,649)
Revisions to estimates	**-**	(440)
Changes in discount rate	**67**	33,393
Accretion	**1,748**	3,103
Balance, at end of period	**163,882**	161,902

(1) These amounts relate to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition the acquired decommissioning liabilities were fair valued at the credit adjusted risk free rate.

11. SHARE CAPITAL

As at June 30, 2015, Journey has an unlimited number of voting common shares that may be authorized and issued. Each common share is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any dividends from the Company and in the assets in the event of termination or winding up of the Company. All common shares are of the same class with equal rights and privileges. In addition, the Company has an unlimited number of preferred shares with no par value available for issuance.

On June 6, 2014 the Company created a new class of shares which are restricted voting shares. These shares have the same rights, privileges, restrictions and conditions as common shares, except that holders of restricted voting shares are not entitled to vote in respect of the election of directors of the Company and shall be automatically converted to common shares on a one for one basis upon the sale of the shares to any third party.

COMMON SHARES	Shares	$
Balance, January 1, 2014	26,234	661,878
Employee share ownership savings plan (i)	17	130
Deficit balance elimination at March 31, 2014 (ii)	-	(463,188)
Transfer to restricted voting shares	(10,295)	(77,931)
Issued for cash through public offering net of share issue costs (iv)	14,000	156,956
Tax benefit from share issue costs (iv)	-	2,844
Flow-through shares issued (iii)	759	10,000
Premium on flow-through shares issued (iii)	-	(890)
Issued under dividend reinvestment and stock dividend plans (v)	24	219
Issued on exercise of options, warrants and RSU's	2,051	2,012
Transfer from contributed surplus on exercise of options, warrants and RSU's	-	3,311
Balance, December 31, 2014	32,790	295,341
Issued under dividend reinvestment and stock dividend plans (v)	143	740
Tax benefit from share issue costs (iv)	-	150
Share issue costs (iv)	-	(40)
Balance, June 30, 2015	**32,933**	**296,191**

RESTRICTED VOTING SHARES	Shares	$
Balance, January 1, 2014	-	-
Transfer from common shares	10,295	77,931
Issued under dividend reinvestment and stock dividend plans (v)	219	1,266
Balance, December 31, 2014	10,514	79,197
Issued under dividend reinvestment and stock dividend plans (v)	547	2,750
Balance, June 30, 2015	**11,061**	**81,947**
Total share capital, June 30, 2015	**43,994**	**378,138**

i. *Employee share ownership savings plan*

For the period ended June 30, 2015 the Company issued nil (December 31, 2014 – 17) shares with a deemed value of nil in 2015 (December 31, 2014 - $130) as part of the Company's employee share ownership savings plan.

ii. *Deficit balance elimination*

The accumulated deficit of Journey was eliminated by reducing the stated capital of the Company's shares. This reduction was approved by the shareholders and on May 5, 2014 the Board of Directors approved the reduction of the stated capital of the Common Shares by the amount of the Company's accumulated deficit as at March 31, 2014 without making any payments on such reduction.

iii. *Flow-through shares*

On June 19, 2014, 759 flow-through shares were issued to employees, officers and directors of the Company for total proceeds of $10,000. A deferred liability of $890 was recognized for the premium on the flow-through shares. The liability was de-recognized when the Company incurred the qualifying expenditures. The difference between the liability established and the tax effect of renounced expenditures of $1,610 was recognized in the statement of comprehensive income for the year ended December 31, 2014.

iv. *Public prospectus offering*

On June 19, 2014 the Company issued 14,000 shares at $12 per share for total proceeds of $168,000 before share issuance costs pursuant to its initial public offering. The share issuance costs related to the issuance were $8,091 net of income tax benefits.

v. *Dividend reinvestment plan and stock dividend*

As part of the dividend announcement on July 15, 2014 shareholders may elect to receive the dividend in the form of shares as a stock dividend or participate in the dividend reinvestment plan and receive a two percent discount in the fair value of shares received under the plan. For the period ended June 30, 2015, 690 shares were issued at a deemed average price of $5.06 per share (December 31, 2014, 242 shares were issued at a deemed average price of $6.13) (Note 12).

12. DIVIDENDS

The Company has a monthly dividend policy. Dividends are paid either in cash or in shares pursuant to the Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") at the option of the shareholder. During the six month period ended June 30, 2015 the Company declared $6,612, $0.15 per share (December 31, 2014 - $15,576, $0.36 per share) in dividends of which $3,286 was paid in cash and 448 common shares and restricted voting shares with a value of $2,215 were issued under the DRIP and SDP. The remainder of $1,111 was accrued as a liability at June 30, 2015 and subsequently paid on July 15, 2015, $527 in cash and 154 common shares and restricted voting shares with a value of $584 were issued under the DRIP and SDP.

13. SHARE BASED COMPENSATION

a) Restricted Share Units ("RSU's")

Under the RSU plan, all units outstanding at December 31, 2013 were to vest on August 31, 2014, as long as the participant is still a service provider to the Company. As part of the initial public offering of common shares all of the RSU's outstanding were early vested and settled June 18, 2014. They were settled by the Company issuing such number of common shares equal to the number of RSU's that were cancelled at no cost to the holder.

In 2014, a new form of RSU was granted to employees that vest over three years from issuance date, half on the second anniversary of issuance and half on the third anniversary of issuance. The settlement method is at the sole discretion of the Company. During the period $611 (2014 – $16) was charged to share based compensation expense.

The following table summarizes the RSU's outstanding:

Balance at January 1, 2014	9
Exercised	(9)
Granted	345
Balance at December 31, 2014	345
Granted	8
Forfeited	(19)
Balance at June 30, 2015	**334**

b) Performance Share Units ("PSU's")

In 2014 the Company also granted PSU's to certain employees and officers that cliff vest on the third anniversary of the date of issuance. The PSU's have a performance multiplier relating the Company's performance relative to an established group of peer companies. This type of feature is considered to be dependent on market conditions, and therefore is required to be incorporated into the measurement of grant date fair value. The Company has determined these market conditions would not have a material impact on the determination of grant date fair value and therefore have not been incorporated into the valuation of PSU's. During the period $132 (2014 - $0) was charged to share based compensation expense. The settlement method (cash or treasury shares) is at the sole discretion of the Company.

The following table summarizes the PSU's outstanding:

Balance at January 1, 2014	-
Granted	99
Balance at December 31, 2014	99
Granted	2
Forfeited	(9)
Balance at June 30, 2015	**92**

c) Stock option plan

The Board has approved a policy of reserving up to 10% of the outstanding common shares for the issuance of stock options to eligible participants. As at June 30, 2015, there were 2,914 (December 31, 2014 – 2,356) shares reserved for issuance under the plan. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant date.

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

	Stock options	**Weighted average exercise price $**	**Number of options exercisable**
Balance, January 1, 2014	1,754	6.24	513
Forfeited	(45)	7.59	(22)
Granted	1,068	9.78	-
Exercised	(304)	6.00	(304)
Balance at December 31, 2014	2,473	7.74	673
Forfeited	(156)	7.55	(59)
Granted	597	5.26	-
Balance at June 30, 2015	**2,914**	**7.31**	**899**

Exercise price	**Number of options outstanding**	**Number of options exercisable**	**Weighted average years to expiry**
$5.26	582	-	4.8
$5.42	15	-	4.5
$6.00	1,125	750	2.0
$8.00	239	80	3.3
$9.00	4	1	3.3
$9.39	745	-	4.3
$12.00	204	68	3.8
	2,914	899	3.4

The Company accounts for its stock options granted to employees and officers using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions have been used for grants during the respective periods:

	2015	2014
Risk free rate (%)	0.6	1.4
Expected life (years)	5	5
Expected volatility (%)	50	52
Expected annual dividends per share ($)	0.30	0.30
Forfeiture rate (%)	2	2

For the period ended June 30, 2015, 597 (2014 – 263) stock options were granted to employees. During the period ended June 30, 2015, $1,306 (2014 - $651) was recorded as share based compensation expense and $558 (2014 - $294) was capitalized with respect to grants related to technical personnel. A corresponding credit to contributed surplus was made for these amounts.

The option grants during 2015 had a weighted average fair value attributed to them of $1.31 (2014 – $6.18). Volatility was calculated using an average of Journey's historical data.

d) Performance warrants

On July 1, 2012, the Company issued performance warrants to employees of Journey. The performance warrants, once vested, require a payment of $6.00 for the Series A warrants, $7.00 for the Series B warrants and $8.50 and $12.00 for Series C warrants. Each performance warrant is convertible into one common share of Journey. The performance warrants vest to the holder based on the "value" of Journey shares. For series A and B, one third of the performance warrants vest when the value of the common shares reaches $10.00 per share; the next third at $11.00 per share and the last third at $12.00 per share. For series C performance warrants, one third of the performance warrants vest when the Value of the common shares reaches $12.00 per share; the next third at $13.00 per share and the last third at $14.00 per share. Value is defined as the price at which any of the following occurs: a takeover bid for Journey; the Journey shares trade on a stock exchange for five consecutive days; or upon the issuance of equity pursuant to a public or private placement. All performance warrants expire on July 1, 2017. The issuances in 2013 and 2014 also had a time vesting component of one-third increments annually on the anniversary date.

Effective June 19, 2014 the Board of Directors modified the Series A and B warrants issued in 2012. The modifications included accelerated vesting as well as reduction of the exercise prices from $6 per Series A warrant and $7 per series B warrant to $0.01 in aggregate. The original conversion for both series of warrants was one to one. After the modification series A warrants were converted at a ratio of 1 warrant for 0.5125 common shares of Journey and series B warrants were converted at a ratio of 1 warrant for 0.4271 common shares of Journey. The ratio was calculated as the difference between the public offering price of $12 per common share and the exercise price, divided by the public offering price, with a two and one half percent premium. In total 2,196 series A warrants were converted to 1,125 common shares and 1,373 series B warrants were converted to 587 common shares. The modification resulted in no incremental fair value being granted and as a result there was no incremental share based compensation expense recognized. The post modification fair value was based on the initial public offering price of $12 per common share. A modified Black Scholes pricing model was used to determine fair value on modification date with the following assumptions: risk free rate of 1.5%; probability of vesting of 100%; expected life of three years and expected volatility of 58%.

For the period ended June 30, 2015, the Company issued nil Series C performance warrants (2014 – 391). The following performance warrants were outstanding at the end of the respective periods:

Series A	**Number**	**Weighted average Exercise price $**	**Weighted average fair value per warrant $**
Balance, January 1, 2014	2,432	6.00	2.34
Forfeited	(13)	6.00	2.41
Exercised	(2,196)	6.00	2.20
Balance at December 31, 2014	223	6.00	3.78
Forfeited	(14)	6.00	2.41
Balance at June 30, 2015	**209**	**6.00**	**3.78**

70 of the remaining balance of series A performance warrants were exercisable at June 30, 2015.

Series B	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2014	1,832	7.00	2.40
Forfeited	(16)	7.00	2.66
Exercised	(1,373)	7.00	2.06
Balance at December 31, 2014	443	7.00	3.46
Forfeited	(29)	7.00	3.46
Balance at June 30, 2015	**414**	**7.00**	**3.46**

138 of the remaining balance of series B performance warrants were exercisable at June 30, 2015.

The fair value of the Series A and Series B performance warrants issued in 2013 were estimated on the date of issue using a modified Black Scholes pricing model with the following assumptions: risk free rate of 1.7%; probability of vesting of 33%; expected life of three and three quarter years and expected volatility of 60%.

Series C	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2014	-	-	-
Granted	391	11.17	5.22
Forfeited	(6)	11.17	5.22
Balance at December 31, 2014	385	11.17	5.22
Forfeited	(7)	12.00	5.01
Balance at June 30, 2015	**378**	**11.16**	**5.22**

126 of the remaining balance of series C performance warrants were exercisable at June 30, 2015.

The fair value of Series C performance warrants was estimated on the date of issue in 2014 using a modified Black Scholes pricing model with the following assumptions: risk free rate of 1.5%; expected life of three and one half years; expected volatility of 58% and a 100% probability of vesting. During the period $364 (2014 - $2,093) was charged to share based compensation expense for warrants.

e) Share purchase warrants

Concurrent with the private placements to employees during 2012, share purchase warrants were issued on the basis of one warrant for each common share issued and have a strike price of $6.98 per warrant. These warrants expire on July 1, 2017.

The share purchase warrants outstanding are as follows:

	Number	Weighted average Exercise price $	Weighted average fair value per warrant $
Balance, January 1, 2014	1,003	6.98	2.16
Exercised	(28)	6.98	2.16
Balance, December 31, 2014 and June 30, 2015	**975**	**6.98**	**2.16**

The fair value of the share purchase warrants were estimated on the dates of issuance using a modified Black Scholes pricing model with the following assumptions: an average risk free rate of 1.3%; average expected life of five years; and average expected volatility of 72%. The fair value expense of these warrants was charged to share based compensation expense in 2012.

f) Employee share ownership plan

As part of the employee's compensation program before July 1, 2014, the Company issued shares from treasury in the equivalent amount of 10% of the employees' base pay at a pre-determined share price. For the period ended June 30, 2015, nil (2014 – 17) shares were issued at a deemed value of nil (2014 - $130). Effective July 1, 2014 the plan was amended to provide for employer contributions on the basis of two times the amount an employee contributes to a maximum of 5% of base salary. Effective June 1, 2015 the employer contributions were reduced to match the employee's to a maximum of 5%. Both the employee and the employer contributions are combined and used to purchase Journey shares in the public market. The amounts for the period ended 2014 and 2015 are expensed under general and administrative expense.

14. CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus as at each period end as follows:

	June 30, 2015	December 31, 2014
Balance at beginning of period	**7,225**	5,692
Employee share ownership plan	**-**	(130)
Share based compensation expense	**1,855**	4,042
Share based compensation capitalized	**558**	932
Stock options exercised	**-**	(655)
Warrants exercised	**-**	(2,603)
RSU's settled	**-**	(53)
Balance at end of period	**9,638**	7,225

15. FINANCE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Interest and bank charges	**852**	2,699	**1,731**	3,966
Interest on promissory note	**-**	1,036	**-**	1,158
Finance income	**(3)**	(7)	**(15)**	(10)
Accretion on decommissioning liabilities	**904**	842	**1,748**	1,320
Finance expenses	**1,753**	4,570	**3,464**	6,434

16. DEFERRED TAXES

The provision for deferred income tax reflects an effective rate which differs from the expected, statutory, federal and provincial tax rates. Differences for the periods ended June 30, 2015 and 2014 are accounted for as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Net income (loss) before taxes	**(2,232)**	5,892	**(6,309)**	5,345
Expected income taxes, at the statutory rate of 26.01% (2014 – 25.0%)	**(622)**	1,473	**(1,641)**	1,336
Tax effect of non-deductible and non-taxable amounts related to:				
Share based compensation expense	**317**	54	**628**	764
Non-deductible items	**6**	-	**9**	-
Changes in enacted tax rates	**(8,779)**	-	**(8,779)**	-
Changes in expected tax basis	**-**	885	**-**	885
Deferred income tax expense (recovery)	**(9,078)**	2,412	**(9,783)**	2,985

17. PER SHARE AMOUNTS

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Net income	**6,846**	3,480	**3,474**	2,360
Weighted average shares outstanding - basic	**43,811**	28,280	**43,669**	27,264
Weighted average shares outstanding - diluted	**44,236**	29,697	**44,094**	28,681
Net income per share – basic	**$ 0.16**	$ 0.12	**$ 0.08**	$ 0.09
Net income per share – diluted	**$ 0.15**	$ 0.12	**$ 0.08**	$ 0.08

The basic net income per share is calculated by dividing the net income by the weighted average number of common shares outstanding for the period. For the three and six month periods ended June 30, 2015 the dilutive impact of stock options, performance warrants, share purchase warrants and RSUs was an additional 425 weighted average common shares. For the three and six month periods ended June 30, 2014 the dilutive impact of stock options, performance warrants, share purchase warrants and RSUs was an additional 1,417 weighted average common shares.

18. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey designates its financial instruments into one of the following five categories: 1) loans and receivables, 2) held-to-maturity, 3) assets available for-sale, 4) other financial liabilities, and 5) held-for-trading assets and liabilities. All financial instruments categorized as available for sale or held for trading are measured at their fair value, while loans and receivables, held to maturity and other financial liabilities are initially measured at fair value and subsequently at amortized cost.

Journey has elected to designate its financial instruments as follows:

	June 30, 2015		December 31, 2014	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Cash and deposits				
Cash	**1,223**	**1,223**	-	-
Loans and receivables				
Accounts receivable	**19,031**	**19,031**	24,343	24,343
Held-for-trading				
Derivative contracts – current asset	**262**	**262**	10,837	10,837
Other financial liabilities				
Accounts payable and accrued liabilities	**(29,685)**	**(29,685)**	(40,352)	(40,352)
Dividends payable	**(527)**	**(527)**	(1,348)	(1,348)
Bank debt	**(89,832)**	**(89,832)**	(83,432)	(83,432)

Journey's financial instruments recognized in the Statement of Financial Position consist of cash, accounts receivable, accounts payable, dividends payable, bank debt and derivative contracts. The carrying value of the accounts receivable, dividends payable, accounts payable and accrued liabilities approximates their fair value at June 30, 2015 due to their short-term nature. The fair value of bank debt is based upon level 2 inputs. The fair value of the bank debt approximates the carrying value as the debt carries a floating interest rate.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable.

The fair value of Journey's commodity contracts and foreign exchange contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data. The fair value of financial derivatives are recurring measurements and are determined using third-party models and valuation methodologies that utilize observable market data, including forward commodity prices and interest rates to estimate the current fair value of financial derivatives. Journey characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels are as follows.

a) Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

b) Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs which can be observed or corroborated in the marketplace from sources such as New York Mercantile Exchange or the Natural Gas Exchange.

c) Level 3 – inputs are less observable, unavailable or where the observable data does not support the majority of the instruments fair value.

(b) Derivative contracts

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

Oil contracts	Volume bbls/d	Pricing point	Strike price per bbl	Term	Fair value
Swap	1,000	WTI NYMEX	CDN$77.00	July 1, 2015 to June 30, 2016	262

At June 30, 2015, the estimated fair value of this contract is $262.

A 10% change in oil prices would have resulted in unrealized gains or losses on this commodity contract impacting net income by $2,071.

The (gain) loss on derivative contracts for the periods ended June 30, 2015 and 2014 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Realized	**(1,488)**	3,997	**(11,757)**	5,591
Unrealized	**1,637**	634	**10,575**	8,011
	149	4,631	**(1,182)**	13,602

(c) Risks

(i) Credit risk

Journey is exposed to credit risk on its cash balance and manages this risk by only entering into agreements with major financial institutions with investment grade credit ratings.

A substantial portion of Journey's accounts receivable is with oil and gas marketing entities. 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. Journey is managing this risk within its credit limit guidelines and procedures. While Management believes Journey's credit limit guidelines and procedures are sufficient to address credit risk, they are still subject to the volatility of the general financial credit environment. Journey's maximum credit risk is its entire receivable accounts.

	2015	2014
Cash	**1,223**	-
Accounts receivable and other	**19,031**	24,343
Risk management contracts	**262**	10,837
Total	**20,516**	35,180

As at the periods ended June 30, 2015; and December 31, 2014, Journey determined that all receivables from third parties were collectable. Management has assessed its current provision of $323 for uncollectable accounts and determined this amount is still sufficient. The accounts receivable balance outstanding greater than ninety days at June 30, 2015 is $1,615 (2014 – $1,520).

(ii) Interest rate risk

Borrowings under bank credit facilities are market-rate based (variable interest rates); thus exposing Journey to cash flow risk. A 1% change in interest rates, using bank debt balances at June 30, 2015 would result in a $665 change to net income.

(iii) Foreign exchange risk

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

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. Journey mitigates this risk by management of cash and debt. Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending to maintain a reasonable working capital balance. Available capacity on the Company's credit facility can cover working capital deficiencies.

The following table details Journey's financial liabilities as at June 30, 2015:

	< 1year	**1 - 2 years**	**Total**
Accounts payable and accrued liabilities	29,685	-	29,685
Dividend payable	1,111	-	1,111
Bank Debt	-	90,000	90,000
Interest on bank debt	2,691	2,691	5,382
	33,487	**92,691**	**126,178**

The following table details Journey's financial liabilities as at December 31, 2014:

	< 1year	**1 - 2 years**	**Total**
Accounts payable and accrued liabilities	40,352	-	40,352
Bank indebtedness	3,557	-	3,557
Bank Debt	-	80,000	80,000
Interest on bank debt and indebtedness	2,682	2,624	5,306
	46,591	**82,624**	**129,215**

19. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Accounts receivable	**676**	(8,504)	**5,312**	(13,043)
Prepaid expenses and deposits	**(899)**	(458)	**(988)**	(821)
Deferred financing charge	**(168)**	424	**(43)**	(500)
Deferred lease obligation	**(32)**	-	**(48)**	-
Accounts payable and accrued liabilities	**(12,568)**	18,818	**(10,667)**	21,071
	(12,991)	10,280	**(6,434)**	6,707
Relating to:				
Operating activities	**(9,076)**	6,999	**141**	1,446
Investing activities	**(3,915)**	3,281	**(6,575)**	5,261
	(12,991)	10,280	**(6,434)**	6,707

b) Supplementary cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Interest paid	**856**	3,028	**1,669**	4,779

20. RELATED PARTY TRANSACTIONS

Journey had the following related party transactions during the period:

(a) Through the normal course of its operations Journey uses the services of Questor Technology ("Questor"). Questor is considered a related party as the presidents of each company are related. During the period ended June 30, 2015 Journey paid Questor nil (2014 – 107).

(b) Pursuant to an administration agreement between Gas Lite Energy Inc. ("Gas Lite"), Journey charges a fee for managing the assets of Gas Lite. For the period ended June 30, 2015 the management fee was $100 all of which was still in the Company's receivables. As operator of the majority of Gas Lite's assets and pursuant to standard joint operating agreements, Journey is charges well operating overhead fees. For the period ended June 30, 2015 the overhead recovered from Gas Lite was $653 which was still in the Company's receivables.

(c) Journey owns a proportionate 1% interest in, and is the operator of, certain oil and gas properties with Gas Lite owning the remaining 99% interest. As the operator of these properties Journey receives all revenues and pays all expenses on behalf of the joint venture. Gas Lite's net share of revenues and expenses are reported to them on a monthly basis. As at the current reporting period, a net receivable has accrued from Gas Lite in the amount of $501. As at June 30, 2015, Journey made a determination that all amounts owing from Gas Lite are collectible.

The related party transactions above were recorded at their exchange amounts.

21. COMMITMENTS AND CONTINGENCIES

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

(a) Transportation and office lease costs

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

	Total	2015	2016 - 2017	2018 - 2019	Thereafter
Firm transportation	**1,163**	334	722	83	24
Operating leases	**16,049**	1,020	3,817	3,700	7,512
Total	**17,212**	1,354	4,539	3,783	7,536

(b) Indemnification

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.

22. CAPITAL MANAGEMENT

Journey's capital structure is comprised of share capital, bank debt and working capital (excluding the fair value of derivative contracts). The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve access to equity and debt markets; meet its financial obligations; and to finance internally generated growth. To do this, Management strives to optimize its cost of capital using an acceptable level of risk. To manage its capital structure Journey may employ any or all of the following: issue equity, adjust spending, use its bank credit facility, or dispose of non-core assets. Journey continually monitors its capital structure and makes adjustments to it as a result of drilling successes or failures, general economic conditions, the state of the petroleum industry and global events that may affect commodity prices. Journey monitors its capital structure and short-term financing requirements using the non-GAAP metric of net debt to annualized, most recent quarters' cash flow from operations. This ratio is calculated as total net debt, defined as outstanding bank debt, plus or minus working capital (and excluding derivative contract assets and liabilities), divided by four times the cash flow from operations (cash flow from operating activities before changes in non-cash working capital, transaction costs and deductions for abandonment and reclamation) for the most recent quarter. In addition, Journey prepares forecasts of expected results and continuously updates these to ensure this ratio is not projected to exceed acceptable levels. Seasonality of capital expenditures and the volatility of commodity prices can cause this ratio to vary from reporting period to reporting period. Journey's current objective is to achieve or maintain a net debt to cash flow from operations ratio of 1.5 to 1.8 times by the end of the year. This ratio may increase as a result of an acquisition or as a result of negative commodity price movements. However, in the event the ratio is projected to increase beyond the desired range, Management will undertake efforts to bring this ratio back into line with the desired target rate. The primary tool used to re-align this ratio is to adjust capital spending. As at June 30, 2015, the net debt to annualized cash flow ratio was 1.7 times (2014 – 1.0), which is within the target range.

Journey prepares an annual budget, which is approved by the Board of Directors, and is updated quarterly for any significant acquisitions, changes in commodity prices and any other economic circumstances outside the control of Management. The budget is flexible and is re-visited at each quarterly meeting of the Board to ensure the Company's finances are being managed in accordance with the Board objectives. Below is the calculation of Journey's net debt to annualized cash flow for each of the three month periods ended June 30, 2015 and 2014.

	2015	2014
Cash	**1,223**	-
Accounts receivable	**19,031**	34,336
Prepaid expenses	**3,069**	2,393
Accounts payable and accrued liabilities	**(29,685)**	(56,007)
Deferred lease obligation	**(544)**	-
Dividends payable	**(1,111)**	-
Bank debt	**(89,832)**	(67,610)
Net debt	**(97,849)**	(86,888)
<u>First quarter cash flow</u>		
Net income	**6,846**	3,480
Add (deduct):		
Exploration and evaluation expense	**367**	231
Share based compensation	**842**	65
Unrealized loss on derivative contracts	**1,637**	634
Depletion and depreciation	**12,452**	13,859
Accretion of decommissioning liabilities	**904**	842
Transaction costs	**-**	573
Deferred income tax expense	**(9,078)**	2,412
Gain on disposition	**70**	-
Cash flow from operations	**14,040**	22,096
Four times cash flow for the quarter	**56,160**	88,384
Net debt to annualized cash flow (times)	**1.7**	1.0

23. PRIOR YEAR COMPARATIVE INFORMATION

The Company determined that certain transportation charges previously reported on a gross basis are more appropriately treated as pricing adjustments related to location differentials for the products sold and therefore $1,684 previously reported as transportation expense in the three month period end June 30, 2014 and $2,739 previously reported as transportations expense in the six month period ended June 30, 2014 are now treated as reductions of petroleum and natural gas sales revenue. Net income did not change as a result of these reclassifications.

24. SUBSEQUENT EVENTS

(i) On July 17th Journey closed the acquisition of various petroleum and natural gas rights and undeveloped land in the Countess area for $2,200 before adjustments.

(ii) On August 4th Journey closed the acquisition of petroleum and natural gas assets in the Sylvan Lake area for $1,850 before adjustments that complement our existing interest.