



MANAGEMENT'S DISCUSSION AND ANALYSIS – 2016

The following Management's Discussion and Analysis ("MD&A") was prepared on March 20, 2017 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "Company") financial and operating results for the three and twelve months ended December 31, 2016 and 2015. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 31, 2016 and 2015 along with the notes related thereto.

Additional information on the audited consolidated financial statements, this MD&A and other factors that could affect the Company's operations and financial results are included in Management's Report to shareholders included with the audited consolidated financial statements. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Journey prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward-Looking Information

This MD&A contains forward-looking statements. More particularly, this MD&A contains statements concerning anticipated: (i) timing and completion of the acquisitions, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the acquisitions, (ii) potential development opportunities and drilling locations associated with the acquisitions, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the acquisitions, (iii) oil and natural gas production during 2016 (iv) debt and bank facilities, (v) capital expenditures, (vi) primary and secondary recovery potentials and implementation thereof, (vii) decline rates, (viii) funds from operations, (ix) operating and funds flow netbacks, (x) operating expenses, (xi) general and administrative expenses, and (xii) realization of anticipated benefits of acquisitions.

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

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited

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

The following table outlines Journey's updated forward-looking information included in, and as of the date of this MD&A. The disclosure below is intended to provide the reader with the key assumptions that the forward looking information is based upon and the relevant risk factors that would be considered key in preventing Journey from achieving these results. This table also represents Journey's investor guidance for 2017 and includes the impact of the proposed acquisition announced as of today's date.

Forward-Looking Information	Key Assumptions	Relevant Risk Factors
Production for 2017 of between 10,100 and 10,500 BOE/d (49% liquids)	Completion of the forecasted drilling program without significant 3 rd party facility or pipeline outages.	Well performance; 3 rd party outages.
2017 funds flow from operations of \$50 – 54 million	Dependent on: Journey achieving average production of oil, NGL and natural gas as per guidance; realizing forecasted average commodity prices of: USD \$54/bbl WTI; AECO natural gas prices of \$2.65/mcf; and using an average US/CAN exchange rate of \$0.75	WTI oil prices; Alberta oil differentials; adequate transportation of oil; AECO gas prices; Journey well performance, downtime and drilling success
2017 capital spending program of approximately \$35 million excluding acquisitions and dispositions	Focus will be mainly on drilling 14 - 13 net wells.	Achieving the projected funds flow; maintaining a banking credit facility in excess of our net debt
Year-end net debt of between \$82-\$86 million	Mainly dependent on commodity prices achieving forecasted amounts	Commodity prices
Operating and transportation costs per BOE in the mid-\$12 range	Achieving projected production volumes; no significant changes to cost structures	Projected production volumes not achieved; third party oil processing capacities; operating cost increases due to inflation and/or improvement in industry conditions
Cash interest costs of between \$1.20- \$1.25/BOE	Bank prime rates and renewal fees remaining at current levels. No significant inflation above current levels	Bank prime rate increases beyond small increments
General & administrative costs in the mid-\$2/BOE range (net of capitalized G&A and recoveries)	No significant changes to currently projected activity levels	G&A is fairly predictable as they are mainly fixed costs with the two largest components being rent and salaries
Income taxes – no current income tax is projected to be payable for 2017	Journey has an unutilized tax pool position of approximately \$647 million	Potential tax law changes; significant and sustained increase in commodity prices

Non-GAAP Measures

This MD&A uses the term “netbacks”, which is a term not recognized under General Accepted Accounting Principles (“GAAP”). The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions.

Management considers corporate netbacks as a key performance measure as it demonstrates the Company’s profitability relative to current commodity prices. They are also used by Management in operational and capital allocation decision. Netbacks are comprised of operating, funds flow and net earnings (loss) netbacks. Operating netback is calculated as the average sales price of Journey’s commodities (excluding financial hedging gains and losses) sold less royalties, transportation costs and operating expenses. Funds flow netback starts with the operating netback and deducts general and administrative costs, interest expense and then adds or deducts any realized gains or losses on derivative contracts. To calculate the net earnings(loss) netback, Journey takes the funds flow netback and deducts all non-cash expenses including: unrealized gains/losses on derivative contracts, share-based compensation expense, depletion, depreciation, accretion, loss (gain) on dispositions, impairments, exploration and evaluation expenses and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

Additional GAAP Measures

In this MD&A, we refer to additional GAAP financial measures that do not have any standardized meaning as prescribed by GAAP. Additional GAAP financial measures are line items, headings or subtotals in addition to those required under GAAP, and financial measures disclosed in the notes to the audited consolidated financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that additional GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities.

Additional GAAP financial measures include funds flow from operations and net debt.

The Company considers funds flow from operations (also referred to as “funds flow”) a key performance measure as it demonstrates the Company’s ability to generate funds necessary to repay debt and to fund future growth through capital investment. Journey’s determination of funds flow from operations may not be comparable to that reported by other companies. The reconciliation between cash from operating activities and funds flow from operations can be found in the table below. Journey also presents funds flow per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited consolidated financial statements.

Funds flow is calculated as cash flow from operating activities before changes in non-cash working capital; transaction costs; and decommissioning costs. Funds flow per share is calculated as funds flow divided by the weighted-average number of shares outstanding in the period. Because funds flow and funds flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of operational performance than cash from operating activities. In addition, Journey excludes transaction costs from the definition of funds flow as these expenses are generally in respect of capital acquisition transactions and are non-recurring.

A reconciliation of funds flow to the GAAP measured cash flow from operating activities is as follows:

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Cash provided by operating activities	7,506	10,394	17,333	55,407
Add (deduct):				
Transaction costs	157	-	185	-
Changes in non-cash working capital	515	(1,267)	9,428	(7,125)
Decommissioning costs incurred	176	400	526	1,260
Funds flow	8,354	9,527	27,472	49,542

Net debt is used to assess efficiency, liquidity and general financial strength. Net debt as at the end of each year end is as follows:

	December 31,	December 31,	%
	2016	2015	Change
Bank debt, plus bank indebtedness, less cash in bank	50,879	90,632	(44)
Principal amount of promissory notes	30,000	-	-
Accounts receivable	(14,055)	(14,666)	(4)
Prepaid expenses	(1,614)	(1,928)	(16)
Accounts payable and accrued liabilities	21,256	31,983	(34)
Deferred lease obligations	450	513	(12)
Net debt	86,916	106,534	(18)

Barrel of Oil Equivalents

Where amounts are expressed in a barrel of oil equivalent (“BOE”), or barrel of oil equivalent per day (“BOE/d”), natural gas volumes have been converted to barrels of oil equivalent at six (6) thousand cubic feet (“Mcf”) to one (1) barrel. Use of the term BOE may be misleading particularly if used in isolation. The BOE conversion ratio of 6 Mcf to 1 barrel (“Bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

Amounts

All dollar amounts quoted are in thousands of Canadian dollars unless otherwise noted. All share data is quoted in thousands of shares, except per share data or as specifically otherwise noted.

HIGHLIGHTS FROM THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016

Financial

Journey realized funds flow of \$8,354 in the fourth quarter of 2016 bringing the year to date amount to \$27,472. This translates into \$0.19 per basic and diluted share for the quarter and \$0.63 per basic and diluted share for the twelve months ended December 31, 2016. The Company realized net income in the fourth quarter of \$49,314 or \$1.13 per basic and diluted share. The net income for the twelve months ended December 31 was \$52,593 (\$1.21 per basic and diluted share). Net cash capital expenditures were \$9,708 during the fourth quarter and totaled

\$6,962 for the year to date. Journey exited the year with net debt of \$86,916. At the end of 2016, Journey was drawn \$52.5 million on its \$90 million syndicated credit facility.

Drilling

During the fourth quarter, Journey drilled 5 (4.1 net) wells with a 100% success rate. For the twelve months ending December 31, 2016, the Company drilled 7 (6.1 net) wells. The reduced drilling activity in 2016 was a reflection of the lower commodity prices in the year, which in turn resulted in lower funds flows and the resulting high debt levels. Emphasis was therefore re-focused to debt repayment and shifted away from the drilling program. With improved commodity prices late in 2016 and early into 2017, drilling activity increased with 5 (4.1 net) wells drilled in the fourth quarter. For 2017, it is currently projected that approximately 13 net wells will be drilled.

Production

For the fourth quarter, production volumes decreased by 11% to 8,505 BOE/day in 2016 from 9,593 BOE/day in 2015. This decrease reflects a combination of the impact of a reduced capital expenditure program, net producing asset sales (approximately 635 BOE/d) and production declines. For the comparable twelve months, production decreased 15% to 8,712 BOE/day in 2016 from 10,309 BOE/day in 2015.

Outlook

As of today's date, Journey has entered into a purchase agreement with a private company to acquire interests in Central Alberta with a focus on upstream and midstream assets in the Greater Gilby area for an aggregate purchase price of \$35.6 million subject to closing adjustment. The purchase price will be paid with \$29.6 million in cash and \$6.0 million in Journey shares priced at \$2.89 per share. The acquisition will add approximately 2,000 BOE/d (28% light oil and natural gas liquids); 5.7 MBOE of proved reserves and 8.3 MBOE of proved plus probable reserves. It is currently anticipated the purchase will close in early May.

For 2017, the annual average production is projected to be between 10,100 and 10,500 BOE/d. Operating and transportation costs are expected to average in the mid-\$12.00 per BOE range with funds flow from operations for the year anticipated to be between \$50,000 and \$54,000. For the year, capital expenditures (excluding acquisition and divestitures) are planned to be approximately \$35,000. These projections are based on management's current view of commodity pricing for 2017 as well as the currently expected timing of the closing of the acquisition. However the volatility of prices, particularly oil, will have an effect on these projections and could cause changes to planned capital spending.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Aggregate production volumes decreased by 11% during the fourth quarter of 2016 to 782,480 BOE as compared to 882,576 BOE for the fourth quarter in 2015. The decrease was reflective of declines, net dispositions of producing properties, and shut-ins due to lower commodity prices. For the twelve month comparative period, aggregate production volumes were 3,188,596 in 2016 and 3,762,901 in 2015.

For the fourth quarter, natural gas production increased to 51% (2015 – 45%) of total volumes, with oil increasing to 45% (2015 – 48%), and natural gas liquids at 4% (2015 – 7%). The increase in natural gas volumes in the fourth quarter was attributable to the recompletion of over 300 net wells in the Countess area for coal bed methane production. Approximately 1,100 BOE/d of natural gas production was added at a cost of approximately \$2,000 for the entire recompletion program.

For the twelve month period, natural gas production was 2% higher in 2016 at 47% of total volumes as compared to 46% in 2015. Combined liquids (oil and natural gas liquids) production decreased marginally to 53% from 54% in 2015. The coal bed methane recompletion production additions were partially offset by natural gas dispositions during the year such that the increase in natural gas weighting for the twelve month period was only 2%.

Aggregate Sales Volumes

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Natural gas (Mcf)	2,411,526	2,389,386	1	8,984,166	10,467,199	(14)
Crude oil (Bbl)	348,268	422,992	(18)	1,504,176	1,784,046	(16)
Natural gas liquids (Bbl)	32,290	61,353	(47)	187,059	234,322	(20)
Barrels of oil equivalent (BOE)	782,480	882,576	(11)	3,188,596	3,762,901	(15)

Volumetric Product Mix

% of Aggregate Production	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Natural gas	51	45	13	47	46	2
Crude oil	45	48	(6)	47	48	(2)
Natural gas liquids	4	7	(43)	6	6	-
Total	100	100		100	100	

Daily Sales Volumes

Daily sales volumes decreased 11% to 8,505 BOE/d for the fourth quarter of 2016 from 9,593 BOE/d in 2015. The decrease was reflective of net asset sales, natural declines, fewer wells drilled, and lower than expected production primarily in Herronton. For the twelve month periods, daily sales volumes were 8,712 BOE/d for 2016 as compared to 10,309 BOE/d in 2015. The decrease was associated with a reduced drilling program such that declines on producing assets were not overcome with new production. In addition there were net dispositions of producing assets in 2016 of approximately 1,290 BOE/d which were only partially offset by acquisitions of approximately 655 BOE/d.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Natural gas (Mcf/d)	26,212	25,972	1	24,547	28,677	(14)
Crude oil (Bbl/d)	3,786	4,598	(18)	4,110	4,888	(16)
Natural gas liquids (Bbl/d)	351	667	(47)	511	642	(20)
Barrels of oil equivalent (BOE/d)	8,505	9,593	(11)	8,712	10,309	(15)

Daily BOE production for the twelve months ended December 31, 2016 and 2015 are shown by Journey's main operating properties as follows:

Area	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	Change %	2016	2015	Change %
Cherhill	989	1,147	(14)	1,051	1,264	(17)
Countess	2,912	1,295	125	1,993	1,393	43
Crystal Creek	1,145	1,423	(20)	1,224	1,434	(15)
Herronton	800	1,307	(39)	957	1,493	(36)
Matziwin	1,092	1,367	(20)	1,198	1,573	(24)
Pembina Greater	430	987	(56)	733	1,061	(31)
Alberta other	1,137	2,067	(45)	1,556	2,091	(26)
Total	8,505	9,593	(11)	8,712	10,309	(15)

Benchmark Indices

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	Change %	2016	2015	Change %
Crude Oil						
WTI (US\$/Bbl)	49.29	41.94	18	43.32	48.65	(11)
Edmonton light (CDN\$/Bbl)	60.76	52.01	17	52.79	56.93	(7)
Natural Gas						
NYMEX (US \$/Mmbtu)	3.17	2.12	50	2.55	2.63	(3)
AECO - Daily (CDN\$/Mcf)	3.11	2.46	26	2.18	2.69	(19)
Foreign Exchange						
Canadian to US dollar	1.334	1.335	-	1.326	1.277	4
US to Canadian dollar	0.750	0.749	-	0.755	0.783	(4)

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports; supplies in western Alberta; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 19% lower in the twelve months of 2016 as compared to the same period in 2015. This was combined with a decrease in WTI prices of 11% over the same comparable periods. The decrease in WTI oil prices were somewhat softened by a 4% depreciation in the Canadian dollar against the US dollar. This is reflected in the Edmonton par oil prices being 7% lower in 2016 as compared to 2015. The differentials between WTI and Edmonton par have varied between in \$4 - \$5 CDN per barrel range during the fourth quarter, and continue to vary. Looking forward into 2017, the CAD\$ is expected to remain in the \$0.75 CDN/US range through the year. Oil prices have shown strength early in 2017 on the back of a new OPEC production agreement. Journey is expecting oil to average in the mid-\$50 range based on current trading patterns but the Company has used a \$50 WTI for its initial 2017 forecast. Gas prices are expected to adjust seasonally but remain in the \$2.50 to \$2.90 CDN AECO range in recent months.

The realized prices during the respective periods were as follows:

Realized Commodity Prices	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Natural gas (\$/Mcf)	3.00	2.37	27	2.08	2.64	(21)
Crude oil (\$/Bbl)	51.87	42.27	23	42.65	48.32	(12)
Natural gas liquids (\$/Bbl)	31.35	24.06	30	23.75	25.73	(8)
	33.46	28.33	18	27.36	31.87	(14)

Average realized commodity prices increased by 18% in the fourth quarter of 2016 compared to the fourth quarter of 2015 to average \$33.46 per BOE from \$28.33 per BOE. Realized natural gas prices increased by 27% in the fourth quarter as compared to the same quarter in 2015. Journey's realized oil prices increased by 23% and natural gas liquids prices increased 30%. For the twelve months ended December 31, Journey's average realized commodity prices decreased by 14% in 2016 to \$27.36 per BOE from \$31.87 per BOE in 2015. Realized natural gas prices decreased by 21%, realized oil price decreased by 12%, and natural gas liquids prices also decreased by 8%. The oil price drop that started in 2015 persisted into 2016 with prices bottoming in February. They slowly rose throughout the year until the combination of a US election and an OPEC production agreement caused price increases to accelerate late in 2016 and into 2017. Gas prices followed a similar pattern with realized gas prices hitting a low of \$0.98/mcf in April and then rebounding to \$3.31 per mcf in December. Journey expects 52% of its production from oil and natural gas liquids while contributing 77% to Journey's revenues for 2017.

RISK MANAGEMENT ACTIVITIES

At December 31, 2016, the Company had the following derivative contracts in place:

Oil contracts	Volume Bbls/d	Pricing point	Strike price/Bbl	Term
Swap	1,000	WTI NYMEX	CDN\$60.00	January 1, 2017 to December 31, 2017
3 way Collar	1,000	WTI NYMEX	CDN \$39.50/ \$60.00/\$65.00	October 1, 2016 to March 31, 2018

Gas contracts	Volume GJ/d	Pricing point	Strike price/GJ	Term
Collar	5,000	AECO 7A	CDN\$2.35-2.86	November 1, 2016 to March 31, 2017
Swap	5,000	AECO 7A	CDN\$3.00	January 1, 2017 to December 31, 2017
Collar	5,000	AECO 7A	CDN\$2.40-2.85	November 1, 2016 to March 31, 2018

The net change in these contracts resulted in a realized net loss of \$888 and an unrealized net loss of \$6,706 for the fourth quarter of 2016. A realized net gain of \$4,492 and an unrealized net loss of \$16,762 were recorded for the twelve months ended December 31, 2016. At December 31, 2016 the estimated fair value liability of these contracts is \$12,738.

The loss (gain) on derivative contracts recognized in comprehensive income for the periods ended December 31, were as follows:

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Realized loss (gain)	888	(1,911)	(146)	(4,492)	(15,163)	(70)
Unrealized loss (gain)	6,706	(257)	(2,709)	16,762	6,813	146
Total	7,594	(2,168)	(450)	12,270	(8,350)	(247)

The fair value of Journey's unrealized commodity contracts are based upon Level 2 inputs, having been provided by the financial intermediary with whom the transactions were completed and tested by management for reasonableness based on current prices and market data. 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.

A 10% increase or decrease in the respective commodity prices would have impacted the comprehensive income by the following amounts at December 31, 2016:

Commodity	10% increase	10% decrease	Total
Oil	(4,023)	4,524	501
Natural gas	(222)	1,115	893
Total	(4,245)	5,639	1,394

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

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

In the fourth quarter of 2016, aggregate P&NG sales increased by 5% to \$26,181 as compared to \$25,008 for the same period in 2015. While production volumes were down 11% in the fourth quarter compared to 2015 the increase in P&NG sales was primarily due to an 18% increase in realized commodity prices. For the twelve months ended December 31, aggregate P&NG sales decreased by 27% to \$87,239 in 2016 from \$119,907 in 2015 as average Company realized commodity prices were 14% lower, and aggregate production volumes were 15% lower than in 2015.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	%	2016	2015	%
Natural gas	7,236	5,657	28	18,650	27,677	(33)
Crude oil	18,065	17,875	1	64,156	86,202	(26)
Natural gas liquids	1,012	1,476	(31)	4,443	6,028	(26)
Physical gas hedging gain (loss)	(132)	-	-	(10)	-	-
P&NG sales	26,181	25,008	5	87,239	119,907	(27)

Sales % Contribution	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Natural gas	27	23	17	21	23	(9)
Crude oil	69	71	(3)	74	72	3
Natural gas liquids	4	6	(33)	5	5	-
Total	100	100		100	100	

ROYALTIES

For the fourth quarter, royalties were \$3,258 in 2016 as compared to \$1,424 for the same period in 2015, representing a 129% increase. On a per BOE basis, the royalty rate increased to \$4.16 in 2016 as compared to \$1.61 from last year. As a percentage of revenue, the rate in the fourth quarter of 2016 was 12.4% or 118% higher than the 5.7% realized in 2015. The large comparative increase of royalties was primarily to higher realized prices across all commodities.

For the twelve months ended December 31, royalties were \$9,900 in 2016 as compared to \$14,009 for the same period in 2015 representing a 29% reduction. On a per BOE basis, the royalty rate decreased 16% to \$3.11 in 2016 as compared to \$3.72 from last year. As a percentage of revenue, the yearly rate for 2016 was 11.3% or 3% lower than the 11.7% realized in 2015.

For the twelve months of 2016 Crown royalty decreased primarily as a result of lower commodity prices. Journey is anticipating a corporate royalty rate in the range of 11 to 12% for 2017 based on Journey's internal forecast of commodity prices and the anticipated productivity of its wells. However, this could change significantly as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Crown	1,111	681	63	3,654	5,851	(38)
Freehold/gross over-riding	2,147	743	189	6,246	8,158	(23)
Total royalties	3,258	1,424	129	9,900	14,009	(29)
Royalties (as a % of P&NG sales)	12.4	5.7	118	11.3	11.7	(3)

\$ / BOE	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Crown	1.42	0.77	84	1.15	1.55	(26)
Freehold/gross over-riding	2.74	0.84	226	1.96	2.17	(10)
Total royalties	4.16	1.61	158	3.11	3.72	(16)

OPERATING

Operating costs were \$9,584 or \$12.25 per BOE for the fourth quarter in 2016 as compared to \$10,997, or \$12.46 per BOE in 2015. Aggregate operating costs, before processing recoveries, decreased by 14% reflecting improved efficiencies, an active cost reduction program, reduced volumes and a reduction in estimates related to prior quarters. For the twelve months ended December 31, operating costs were \$37,116 or \$11.64 per BOE in 2016 as compared to \$52,690, or \$14.00 per BOE in 2015. The Company continually reviews field activities to derive efficiencies and cost effectiveness in its operations. Dispositions of higher operating cost properties and strategic

acquisitions of facilities and pipelines have resulted in a significant decline in our operating cost structure. For 2017, Journey expects the per BOE rate to average in the mid-\$12.00 range, reflecting these cost reductions.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Gross operating expense	10,362	11,988	(14)	42,042	56,058	(25)
Less:						
Expense recoveries	(778)	(991)	(21)	(4,926)	(3,368)	46
Operating expense per financial statements	9,584	10,997	(13)	37,116	52,690	(30)
Expense (\$ per BOE)	12.25	12.46	(2)	11.64	14.00	(17)
Expense (as a % of P&NG sales)	36.6	44.0	(17)	42.5	43.9	(3)

TRANSPORTATION

Transportation expenses were \$352 for the fourth quarter of 2016, amounting to 1.3% of P&NG sales for the period as compared to \$496 and 2.0% for 2015. The comparative lower expense for the fourth quarter of 2016 was due to the combination of lower production volumes, use of acquired pipeline infrastructure, as well as lower trucking rates due to the very competitive market conditions experienced in the year. The cost per BOE averaged \$0.45 in the fourth quarter, which was 20% lower than the same period in 2015. For the twelve months ended December 31, transportation expenses were \$1,281 for 2016 or 59% lower than \$3,115 for the comparable period in 2015. On a per BOE basis costs were \$0.40 or 52% lower than the \$0.83 incurred in 2015. Aggregate transportation costs for 2016 were lower in 2016 due in part to dispositions, but also attributable to the acquisition of strategic pipeline infrastructure, which has eliminated a significant portion of our trucking costs in the Brooks area. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales pipelines. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped; as well as ownership of the transportation facilities.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Transportation expense	352	496	(29)	1,281	3,115	(59)
Expense (\$ per BOE)	0.45	0.56	(20)	0.40	0.83	(52)
Expense (% of P&NG sales)	1.3	2.0	(35)	1.5	2.6	(42)

GENERAL AND ADMINISTRATIVE (G&A) EXPENSE

For the fourth quarter of 2016, the net G&A expense after recoveries decreased 31% to \$2,448 in 2016 from \$3,535 in 2015. Lower recoveries and capitalized G&A in the quarter reflected the effects of staffing and compensation reductions. In addition the overhead recoveries from an affiliated company ceased on August 6 of 2016 as the assets under Journey's management were sold. The management fees received from January 1, 2016 to August 6 of 2016 were \$292.

On a per BOE basis, Journey realized net G&A of \$3.13 for the fourth quarter of 2016, or 22% lower than the \$4.00 for 2015. For the comparable twelve month period ending December 31, 2016, net G&A expense was \$11,042, which included severance costs of \$1,070. This was 10% lower than \$12,243 in 2015. For the twelve months ended December 31, net G&A was \$3.46 in 2016 or 6% higher than \$3.25 in 2015. While net G&A was lower, the

net G&A per BOE rate increased as production volumes were 15% lower in 2016. For 2016, net G&A is expected to be approximately \$9,500 or 14% lower than 2016.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Gross expense	2,947	4,188	(30)	12,316	16,870	(27)
Less:						
Overhead recoveries	(98)	(536)	(82)	(224)	(3,334)	(93)
Capitalized G&A	(401)	(117)	243	(1,050)	(1,293)	(19)
Net expense per financial statements	2,448	3,535	(31)	11,042	12,243	(10)
Expense (\$ per BOE)						
Gross expense	3.77	4.75	(21)	3.86	4.48	(14)
Net expense	3.13	4.01	(22)	3.46	3.25	6

FINANCE EXPENSE

Net finance expense is comprised of interest on bank debt, amortization of financing fees, accretion on decommissioning obligations, accretion on the term debt, and bank charges. Interest expense and bank fees for the fourth quarter of 2016 increased 41% to \$1,336 from \$948 in 2015. For the fourth quarter of 2016, the average interest bearing debt outstanding was \$84,347 which was a 10% decrease from \$93,315 for the comparable period in 2015. For the quarter, the average effective interest rate on outstanding borrowings increased by 55% to 6.2% in 2016 from 4.0% in 2015. On a per BOE basis, net finance expense was \$1.66 for 2016 as compared to \$1.07 for 2015, representing a 55% increase, period over period. The increase in interest expense and the effective interest rate in the fourth quarter of 2016 were mainly due to the issuance of term debt on October 6, 2016 which bears interest at the rate of 7.65% per annum. The per BOE rate increased as interest expense was higher due to the increased borrowing costs but also lower production volumes due to asset sales and declines throughout the year.

For the comparable twelve month period, net finance expenses for 2016 increased 43% to \$4,988 from \$3,485 in 2015. This was largely attributable to the promissory notes, which were outstanding for three months in 2015. The average interest rate on outstanding borrowings increased to 5.4% for the twelve months of 2016 from 3.9% in 2015. On a per BOE basis, net finance expense was \$1.54 for 2016 as compared to \$0.93 for 2015, representing a 66% increase.

For 2016, Journey expects the average interest bearing debt outstanding to decrease throughout 2017 as Journey's initial capital plans are to spend less than funds flow in the year. The excess funds will be used to reduce bank borrowings. However, this may change as additional borrowings may be used to fund any acquisition and development spending, which has not currently been budgeted for.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	Change %	2016	2015	Change %
Expense per financial statements	2,227	1,796	24	8,192	6,987	17
<u>Add/(Deduct):</u>						
Finance income & other	(1)	8	400	(1)	14	393
Accretion costs	(930)	(856)	9	(3,272)	(3,516)	(7)
Cash interest expense on debt	1,296	948	41	4,919	3,485	43
Average interest bearing debt	84,347	93,315	(10)	92,053	88,562	4
Average interest rate (%)	6.2%	4.0	55	5.4	3.9	38
Cash finance expense (\$ per BOE)	1.66	1.07	55	1.54	0.93	66

SHARE BASED COMPENSATION

Share based compensation expense was \$674 for the fourth quarter of 2016 as compared to \$1,023 in 2015. For the twelve months ending December 31, the expense was \$2,937 for 2016, a decrease of 22% over the \$3,768 expensed in 2015. During the fourth quarter, the Company capitalized \$128 of share based compensation expense. For the year to date in 2016 the Company capitalized \$535 of stock based compensation expense. The capitalization is attributable to technical staff whose functions are directly related to development activities. The fair value of all share based compensation is amortized over the respective vesting periods.

In the fourth quarter of 2016, 345 Restricted Share Units (“RSUs”) were granted at a price of \$2.48 per unit, 249 Performance Share Units (“PSUs”) were granted at \$2.48 per unit and 500 stock options were granted at an average strike price of \$2.12 per option. During the same period 137 RSU’s were settled due to vesting and a total of 227 performance warrants; RSU’s; and PSU’s, were forfeited due to employee departures. The fair value of all share based compensation was estimated based on the date of issuance using a modified Black Scholes pricing model for stock options and the share price on the date of issue for RSU’s and PSU’s.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	Change %	2016	2015	Change %
Expense per financial statements	674	1,023	(34)	2,937	3,768	(22)
Expense (\$ per BOE)	0.86	1.16	(26)	0.92	1.00	(8)

DEPLETION AND DEPRECIATION (“D&D”)

Aggregate D&D decreased from \$8,046 in the fourth quarter of 2015 to \$6,253 in 2016. The 22% decrease reflects the impact of the significant impairments recorded in 2015 for property, plant and equipment carrying values. For the quarter, and on a per BOE basis, D&D was \$7.99 for 2016 as compared to of \$9.12 in 2015, representing a 12% decrease.

For the twelve months ending December 31, aggregate D&D decreased 38% from \$44,965 in 2015 to \$28,008 in 2016. On a per BOE basis D&D was \$8.78 in 2016, a 27% decrease from \$11.95 in 2015.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Depletion and depreciation	6,253	8,046	(22)	28,008	44,965	(38)
Expense (\$ per BOE)	7.99	9.12	(12)	8.78	11.95	(27)

IMPAIRMENTS & REVERSALS

The Company tested its Cash Generating Units (“CGUs”) for impairment as well as the potential reversal of prior period impairments where indicators were present as at December 31, 2016. It was determined that the carrying amounts for the Herronton and Countess CGU’s exceeded their recoverable amounts primarily based on new reserve evaluations by Journey’s independent reserve evaluators. The recoverable amount is defined as the fair value of the assets less cost of disposal. The fair value less cost to dispose was determined using a discounted cash flow approach based on year end proved plus probable reserves and using future commodity prices based on an average of three reserve engineer’s forecast prices. Journey then discounted these cash flows using a risk-adjusted rate that varied by CGU based on the nature of the assets held in each CGU to determine the fair value at the measurement date (level 3 inputs). The total property, plant and equipment impairment for 2016 was \$22,347. In addition, five CGUs (Matziwin, Pembina, Sylvan Lake, Crystal, and Cherhill) were found to have impairment reversals as at December 31, 2016. The reversals were based on the increase in values in the independent reserve evaluators report and were primarily attributable to lower future capital and operating costs as well as additional well bookings. The new fair value less costs of disposal exceeded their carrying values consequently a reversal of previous impairments was found to exist. The impairment reversal in the fourth quarter of 2016 was \$103,393.

At December 31, 2015 the Company tested the carrying values of its CGUs for impairment as well as the potential for impairment reversal. It was determined that the carrying amounts of the Manola, Matziwin, Skiff, Pembina, Peace River Arch, Pine Creek, Sylvan Lake, Herronton, Countess, Crystal, Cherhill, Pincher Creek, and Enchant CGUs all exceeded their recoverable amounts. The recoverable amounts (fair value less costs of disposal) were determined using a discounted funds flow approach based on the independent reserve evaluators report as at December 31, 2015 for proved plus probable reserves and using an average of three reserve engineer’s forecast commodity prices. Journey used a risk adjusted discount rate that varied by CGU based on the nature of the assets held in each CGU to determine the fair value at the measurement date (level 3 inputs). The impairment was attributed to property, plant and equipment and, as a result, an impairment loss of \$232,526, and an impairment reversal of \$91,002 were recognized in 2015.

In addition, Journey recognized an impairment of its exploration and evaluation assets of \$1,674 in the fourth quarter of 2016 as compared to \$2,952 in 2015. Management determined that the fair value less costs of disposal of certain undeveloped lands had declined below Journey’s carrying values. Fair value was determined by management by analyzing comparable mineral rights Crown sales in each of the respective CGUs.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Exploration and evaluation asset impairment	1,674	2,952	(43)	1,674	2,952	(43)
Oil and gas asset impairment	22,347	24,313	(8)	22,347	232,526	(90)
Oil and gas asset impairment reversal/change of estimate	(103,393)	(91,002)	14	(103,393)	(91,002)	14
Net impairments (reversals)	(79,372)	(63,737)	25	(79,372)	144,476	(155)
\$/BOE						
Exploration and evaluation asset impairment (\$/BOE)	2.14	3.34	(36)	0.52	0.78	(33)
Oil and gas asset impairment (\$ / BOE)	28.56	27.55	4	7.01	61.79	(89)
Oil and gas asset impairment reversal/change of estimate (\$ / BOE)	(132.14)	(103.11)	28	(32.43)	(24.18)	34
Net impairments (reversals)	(101.44)	(72.22)	40	(24.90)	38.40	(165)

GAIN ON DISPOSITION OF ASSETS

During the twelve months ended December 31, 2016 Journey sold producing properties in the following areas and with the approximate amount of production: Manola (280 BOE/d); Carrot Creek (300 BOE/d); Carson Creek (55 BOE/d) and one including various non-core properties mainly in the Peace River Arch (550 BOE/d). Total proceeds including closing adjustments recognized in 2016 were \$14.3 million. The dispositions resulted in the following cumulative gain:

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Gain (loss) on dispositions	(80)	-	-	25,604	3,269	(683)
\$ per BOE	(0.10)	-	-	8.03	0.87	823

DEFERRED TAXES

For the fourth quarter of 2016 the deferred income tax expense was \$23,276, as compared to an expense of \$24,342 for the same period in 2015. On a per BOE basis, the expense increased 8% to \$29.75 from an expense of \$27.58 in 2015.

For the twelve months ended December 31, the deferred income tax expense was \$25,462 as compared to a recovery of \$41,972 for 2015. On a per BOE basis, the expense increased from a recovery \$11.15 in 2015 to an expense of \$7.99 in 2016. The change, period over period, was largely the result of a Journey's oil and gas asset impairment recovery of \$103,393 in the fourth quarter of 2016. The other significant item in 2016 was the de-recognition of a deferred tax asset of \$3,451 due to Management's assessment and conclusion that it was more probable than not that certain successor tax pools would not be able to be utilized. Given Journey's tax pools and annual spending profiles the Company does not expect to be cash taxable into the foreseeable future. However, a dramatic increase in commodity prices could change this outlook.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Deferred tax expense (recovery)	23,276	24,342	(4)	25,462	(41,972)	(161)
\$ per BOE	29.75	27.58	8	7.99	(11.15)	(172)

Tax Pool	Rate	Amount
Canadian oil & gas property expense	10% declining balance	125,184
Canadian development expenses	30% declining balance	263,745
Canadian exploration expenses	100%	22,031
Undepreciated capital costs	7-100% declining balance	151,609
Financing costs	5 year straight line	5,058
Non-capital losses	100%	79,112
Total		646,739

NETBACKS

Operating netback of \$16.60 per BOE for the fourth quarter of 2016 increased by 21% as compared to \$13.70 realized for the same period in 2015. The increase was primarily attributable to an 18% appreciation in realized commodity prices. For the twelve months ended December 31, the operating netback was \$12.21 per BOE for 2016 which was an 8% decrease from \$13.32 for 2015. This change was mainly a 14% decrease in realized commodity prices but this decrease was mitigated by lower royalties, transportation and operating expenses.

Funds flow netback per BOE for the fourth quarter was 1% lower in 2016 than 2015. G&A expenses were down 22%, on a BOE basis as additional staff layoffs took effect. However, finance expenses increased 55% from \$1.07 to \$1.66 per BOE and realized hedging gains decreased by 152% to a loss of \$1.13 from a gain of \$2.17 in 2015. For the twelve months, funds flow netback decreased by 35% to \$8.62 from \$13.17 in 2015. The decrease was driven by lower commodity prices for the years as well as lower production volumes.

After including the non-cash items, the net income for the fourth quarter of 2016 was \$63.03 per BOE as compared to \$43.72 per BOE in 2015. A significant portion of the increase in net income was attributable to the net impairment recovery in the fourth quarter of \$101.44 per BOE as compared to a net recovery in 2015 of \$72.22. For the year, net income was \$16.50 as compared to a loss of \$29.59 in 2015. The significant difference was in the net impairment recoveries of \$24.90 in 2016 while there was a net impairment expense in 2015 amount of \$38.40.

(\$ per BOE)	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	Change %	2016	2015	Change %
Realized price	33.46	28.33	18	27.36	31.87	(14)
Royalties	(4.16)	(1.61)	158	(3.11)	(3.72)	(17)
Operating expenses	(12.25)	(12.46)	(2)	(11.64)	(14.00)	(17)
Transportation expenses	(0.45)	(0.56)	(20)	(0.40)	(0.83)	(52)
Operating	16.60	13.70	21	12.21	13.32	(8)
General and administrative	(3.13)	(4.00)	(22)	(3.46)	(3.25)	6
Finance expense - cash	(1.66)	(1.07)	55	(1.54)	(0.93)	66
Realized gain (loss) on derivative contracts	(1.13)	2.17	(152)	1.41	4.03	(65)
Funds flow	10.68	10.80	(1)	8.62	13.17	(35)
Transaction costs	(0.20)	-	-	(0.06)	-	-
Unrealized gain (loss) on derivative contracts	(8.57)	0.29	(3,055)	(5.26)	(1.81)	191
Share based compensation	(0.86)	(1.16)	(26)	(0.92)	(1.00)	(8)
Depletion and depreciation	(7.99)	(9.12)	(12)	(8.78)	(11.95)	(27)
Finance expense - accretion	(1.19)	(0.97)	23	(1.03)	(0.93)	11
Recoveries (impairments)	101.44	72.22	40	24.90	(38.40)	(165)
Loss (gain) on dispositions	(0.10)	-	-	8.03	0.87	823
Exploration & evaluation expense	(0.43)	(0.76)	(43)	(1.01)	(0.69)	46
Deferred tax (expense) recovery	(29.75)	(27.58)	8	(7.99)	11.15	(172)
Net income (loss)	63.03	43.72	44	16.50	(29.59)	156

FUNDS FLOW AND NET INCOME (LOSS)

Funds flow from operations in the fourth quarter of 2016 was \$8,354, a decrease of 12% from \$9,527 realized in 2015. For the twelve months ended December 31, funds flow from operations decreased 45% from \$49,542 in 2015 to \$27,472 in 2016. Net income for the fourth quarter of 2016 was \$49,314 increased from net income of \$38,586 in 2015. The change in net income for the quarter was primarily due to the impairment recovery in the fourth quarter of 2016. For the twelve month period, the net income was \$52,593 in 2016 as compared to a loss of \$111,337 in 2015. For the twelve month period the lower net loss was primarily due to partial reversals of asset impairments in prior years.

During the fourth quarter of 2016, Journey realized net income of \$1.13 per basic and diluted share and \$1.21 (basic and diluted) for the entire year. In calculating the diluted per share numbers, For the three and twelve month periods ended December 31, 2016 the dilutive impact of 8,170 and 8,919 stock options, performance warrants, share purchase warrants and RSUs, respectively, were omitted as they would have been anti-dilutive.

Fourth quarter funds flow per share in 2016 was \$0.19 per basic and diluted share. Comparatively funds flow per share in 2015 was \$0.22 for basic and \$0.21 per diluted share. For the twelve months ended December 31, basic funds flow per share in 2016 decreased to \$0.63 from \$1.13 while diluted funds flow per share decreased to \$0.63 in 2016 from \$1.10 in 2015.

Per share data	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Net income (loss)	49,314	38,586	28	52,593	(111,337)	(147)
Basic (\$/share)	1.13	0.89	27	1.21	(2.55)	(147)
Diluted (\$/share)	1.13	0.86	31	1.21	(2.55)	(147)
Funds flow from operations	8,354	9,527	(12)	27,472	49,542	(45)
Basic (\$/share)	0.19	0.22	(14)	0.63	1.13	(44)
Diluted (\$/share)	0.19	0.21	(10)	0.63	1.10	(43)

CAPITAL EXPENDITURES

Journey spent \$9,314 on exploration and development capital expenditures during the fourth quarter of 2016 representing an increase of 23% from \$7,544 in 2015. 5 (4.1 net) wells drilled during the quarter as compared to 5 (3.1 net) wells drilled in 2015. The increases in both oil and natural gas prices along with the enhanced liquidity from the term debt issuance in the quarter allowed the Company to return to its drilling program as the first three quarters of 2016 were marked by protection of the balance sheet including asset dispositions with the proceeds going to repay bank borrowings. For the twelve months ended December 31, 2016, \$16,285 was spent on exploration and development activities (before acquisitions/dispositions), a decrease of 61% from \$41,496 spent in 2015. 7 (6.1 net) wells were drilled during the twelve months ended December 31, 2016 as compared to 16 (13.2 net) wells drilled in 2015. Capital spending was greatly scaled back in 2016 as uncertainty over both oil and natural gas prices prevailed early in the year and continued throughout the second and third quarters. Funds flows in excess of capital were used to pay back bank debt throughout the year. In 2016, the capital expenditures were incurred primarily in the Herronton, Countess, Matziwin and Crystal properties. Acquisition activity was driven mainly by strategic purchasing of infrastructure that yielded cost savings synergies with Journey assets. Dispositions focused on higher operating cost properties and this strategy contributed to the overall reduction in per BOE operating costs.

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
<u>Cash expenditures:</u>						
Land acquisitions and lease rentals	151	206	(27)	406	2,008	(80)
Geological and geophysical	-	-	-	3	344	(99)
Drilling and completions	7,189	4,846	48	9,700	26,593	(64)
Well equipment and facilities	1,574	2,376	(34)	5,127	11,259	(54)
Capitalized G&A	400	116	246	1,049	1,292	(19)
Exploration and development expenditures	9,314	7,544	23	16,285	41,496	(61)
Other expenditures	-	2	(100)	18	49	(63)
Total capital expenditures	9,314	7,546	23	16,303	41,545	(61)
PP&E acquisitions	311	5,281	(94)	4,852	11,439	(58)
PP&E dispositions	203	(4,273)	(105)	(13,277)	(4,885)	172
E&E acquisitions/dispositions	(120)	-	-	(916)	-	-
Net cash capital expenditures	9,708	8,554	13	6,962	48,099	(86)
<u>Other-cash expenditures:</u>						
Decommissioning costs	176	400	(56)	526	1,260	(61)
Total capital expenditures	9,884	8,954	10	7,488	49,359	(85)

	Three months ended December 31,				Twelve months ended December 31,			
	2016		2015		2016		2015	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Development wells	5	4.1	5	3.1	7	6.1	16	13.2
Success rate (%)	100	100	100	100	100	100	100	100

UNDEVELOPED LAND HOLDINGS

The undeveloped land holdings at December 31, 2016 are as follows:

Area	Gross Acres	Net Acres	Average WI %
Herronton	28,307	26,122	92
Matziwin	18,721	18,475	99
Brooks	12,320	9,600	78
Cherhill	11,840	6,826	58
Poplar Creek	8,013	6,563	82
Majorville	4,854	4,854	100
Crystal	7,206	4,339	60
Westerose	3,609	3,226	89
Skiff	4,360	3,208	74
Sylvan Lake	4,541	3,053	67
Other	32,837	24,921	76
Total	136,608	111,187	81

LIQUIDITY AND CAPITAL RESOURCES

Corporate working capital liquidity is maintained by drawing from the unutilized credit facility as needed and then repaying it periodically through production revenues. When new reserves are added and as the financing needs of the Company are expanded, Journey may apply for interim reviews of the credit facility with a view to upgrading it. The capital expenditures in the respective periods were funded as follows:

Capital Program Funding	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Funds flow from operations	8,354	9,527	(12)	27,472	49,542	(45)
Transaction costs	(157)	-	-	(185)	-	-
Decommissioning costs incurred	(176)	(400)	(56)	(526)	(1,260)	(58)
Change in non-cash working capital	903	1,068	(16)	(9,881)	1,451	(781)
Increase (decrease) in bank debt	(30,000)	(730)	4,110	(37,537)	10,000	(475)
Decrease (increase) in cash in bank	893	-	-	(2,272)	(2,869)	(21)
Increase in promissory notes	30,000	-	-	30,000	-	-
Normal course issuer bid	-	(127)	(100)	-	(2,260)	-
Option/warrant exercises	22	-	-	22	-	-
Settlement of RSU's	(131)	-	-	(131)	-	-
Dividends	-	(784)	(100)	-	(6,465)	-
Recovery of share issue costs	-	-	-	-	(40)	-
Net cash capital expenditures	9,708	8,554	13	6,962	48,099	(86)

For the three and twelve months ended December 31, 2016, the Company funded its net cash capital expenditures primarily from funds flow from operations, and changes in non-cash working capital. For the year to date in 2016 net capital expenditures of \$6,961 were well below the \$27,472 of funds flow. Funds flow in excess of net capital was primarily used to repay bank debt.

As at December 31, 2016, Journey had a \$90,000 (2015 - \$140,000) credit facility with a syndicate of banks. This facility was comprised of a production facility of \$75,000 and a working capital facility of \$15,000. The production and working capital facilities are available on a revolving basis for a period of at least 365 days until April 28, 2017 which is the next annual review and renewal date. Following this date and without any renewal, the facilities will be due and payable by the term maturity date of April 29, 2017.

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the bank. The amount of available credit is based primarily upon the value of proved producing petroleum and natural gas reserves. The most recent formal evaluation by our external engineers determined these reserve values as at December 31, 2016. The credit facility is subject to a semi-annual borrowing base review each April and October. As at December 31, 2016, the drawn amount on Journey's credit facility was \$52,463. The bank line is currently under review by the banking syndicate as part of their annual review. It is currently expected that this review will be completed by April 29, 2017.

Advances under the facilities are available by way of prime rate loans with interest rates of between 1.0 percent and 4.5 percent over the banks' prime lending rates. In addition to these advances, the Company has access to bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.0 percent to 5.5 percent and depending on the debt to funds 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 1.375 percent depending on the debt to funds flow ratio as calculated at the Company's immediately preceding quarters' end. The effective annualized interest rate for the year ended December 31, 2016 was 5.5% (2015 – 3.9%). At December 31, 2016 the Company had an outstanding letter of credit in the amount of \$375 that expires June 30, 2017.

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 is subject to certain customary non-financial covenants in its credit facility agreement. Journey is in compliance with all non-financial covenants as at December 31, 2016.

On October 6, 2016 Journey entered into a strategic financing partnership with Alberta Investment Management Corporation ("AIMCo") through the private placement of 30,000 units at a per unit price of \$1 thousand for aggregate proceeds of \$30,000. Each unit is comprised of: (i) a promissory note with a par value of \$1,000 and bears interest at 7.65% per annum and is payable semi-annually and (ii) 165 common share purchase warrants. The notes mature on October 31, 2020 and all or a portion of the outstanding principal can be repaid by Journey without penalty after two years. The warrants are exercisable into common shares of Journey on a one for one basis at an exercise price of \$2.75 per share. The warrants expire on October 6, 2018. The proceeds of this offering were used to reduce outstanding bank indebtedness.

The effective annualized interest rate for all of Journey's borrowings for the three months ended December 31, 2016 was 6.2% (2015 – 4.0%). For the year ended December 31, 2016 the effective interest rate was 5.4% (2015 – 3.9%). The higher effective interest rates in 2016 were attributable to the higher interest rate on the term debt portion of the borrowings as well as Journey being in a higher interest rate grid due to higher net debt to funds flow ratios experienced throughout the year.

Corporate working capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. As new reserves are added and as the financing needs of the Company are expanded, Journey may apply for interim reviews of the credit facility with a view to upgrading it.

The reduction in commodity prices and the expectation of reduced funds flows have caused the Company to re-assess and realign its capital expenditure program to live within funds flows. It is currently anticipated that the Company will fund its 2017 capital programs through funds flows from operations. Journey's working capital deficiency, included in its net debt, is managed by keeping the net debt position below the amount available from its credit facility. Net debt at December 31, 2016 was \$86,916. Based on current guidance for 2017 Journey anticipates bringing the net debt to annualized fourth quarter funds flow ratio down to less than 1.5 times.

RELATED PARTY TRANSACTIONS

Journey had the following related party transactions with Gas Lite Energy Inc. ("Gas Lite"). Journey and Gas Lite were previously related by virtue of a common significant shareholder and a common director. On August 5, 2016 Gas Lite ceased to be a related party as there was a change of control of Gas Lite and the two companies no longer have a common director or controlling shareholder. Prior to August 6, 2016 the following related party transactions took place:

- (a) Pursuant to an administration agreement between Journey and Gas Lite, Journey charged a fee for managing the assets of Gas Lite. Effective August 5, 2016 Gas Lite was sold to an unrelated party and the administration agreement was terminated. For the period ended September 30, 2016 the management fee was \$292 (2015 - \$225) and payment was received from Gas Lite during the three months ended September 30, 2016.
- (b) Journey owned a proportionate 1% interest in, and was the operator of, certain oil and gas properties while Gas Lite owned the remaining 99% interests. As the operator of these properties Journey received all revenues and paid all expenses on behalf of the joint venture. On August 5, 2016 Journey and Gas Lite concurrently disposed of their respective interests in these properties to an unrelated party. As a result, there is no further business between Journey and Gas Lite. At the closing of the disposition all outstanding amounts due to Journey from Gas Lite were paid in full. As part of the normal course of closing such an asset disposition, Journey is obligated to receive certain revenues and expenses on Gas Lite's behalf, and the net amount was settled on the final statement of adjustments.

The related party transactions above were recorded at the above disclosed exchange amounts and the charging of management fees provided Journey with the ability to reduce its G&A costs.

CONTRACTUAL OBLIGATIONS

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

- (a) Transportation and office lease costs

The Company has committed to firm-service contracts for the transportation of a proportion 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	2017	2018-2019	2020-2021	Thereafter
Natural gas transportation	853	373	309	137	34
Operating leases	13,503	1,918	3,761	3,756	4,068
Total	14,356	2,291	4,070	3,893	4,102

(b) Indemnifications

Under the terms of certain agreements and the Company's by-laws, Journey indemnifies individuals who have acted at the Company's request to be a director and/or officer, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their service. The Company currently has no outstanding claims having a potentially material adverse effect on the Company as a whole.

OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

NORMAL COURSE ISSUER BID

Pursuant to the Normal Course Issuer Bid ("NCIB"), the Company repurchased 1,335 shares in 2015. There were no purchases made in 2016.

<i>(000's)</i>	Number of shares	Cash Expenditure	Average Cost per Share
Third quarter, 2015	1,267	(2,133)	1.68
Fourth quarter, 2015	68	(127)	1.86
Total	1,335	(2,260)	1.69

SHARE CAPITAL

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

<i>(000's)</i>	March 20, 2017	December 31, 2016	December 31, 2015
Common shares outstanding	48,653	43,703	29,088
Restricted voting shares outstanding	-	-	14,527
Total shares outstanding	48,653	43,703	43,615
Options, warrants, restricted share units and performance share units	6,138	6,382	6,066
Fully diluted shares	54,791	50,085	49,681
<u>Weighted average common shares</u>			
Basic	N/A	43,632	43,715
Diluted	N/A	43,632	43,715

The performance share units included in the above table assumes a performance multiplier of one (1) times for their conversion into common shares.

On March 2, 2017 the subscriber to the promissory notes exercised their share purchase warrants they received as part of the private placement of the debt. 4,950 shares were acquired at a price of \$2.75 per share pursuant to the exercise.

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016 ⁽¹⁾
Production (BOE/d)	8,505	8,177	8,640	9,533
Average prices realized (\$/BOE)	33.46	29.98	26.01	20.81
Petroleum and natural gas sales	26,181	22,553	20,450	18,055
Net income (loss)	49,314	18,383	(9,714)	(5,390)
Basic – per share (\$/share)	1.13	0.42	(0.22)	(0.12)
Diluted – per share (\$/share)	1.13	0.42	(0.22)	(0.12)
Funds flow from operations	8,354	7,571	8,218	3,329
Basic – per share (\$/share)	0.19	0.17	0.19	0.08
Diluted – per share (\$/share)	0.19	0.17	0.19	0.08
Total assets	484,016	473,452	471,571	455,389
Net cash capital expenditures	9,708	(10,886)	4,421	3,719
Long term financial liabilities	177,045	2,610	-	-
Net debt	86,916	85,048	103,477	107,019
Dividends paid	-	-	-	-

	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Production (BOE/d)	9,593	9,786	10,609	11,273
Average prices realized (\$/BOE)	28.33	31.78	36.59	30.51
Petroleum and natural gas sales	25,008	28,616	35,329	30,954
Net income (loss)	38,586	(153,397)	6,846	(3,372)
Basic – per share (\$/share)	0.89	(3.49)	0.16	(0.08)
Diluted – per share (\$/share)	0.86	(3.49)	0.15	(0.08)
Funds flow from operations	9,527	8,612	14,040	17,363
Basic – per share (\$/share)	0.22	0.20	0.32	0.40
Diluted – per share (\$/share)	0.21	0.19	0.32	0.39
Total assets	452,116	422,357	562,616	589,938
Net cash capital expenditures	8,555	14,460	4,803	20,282
Long term financial liabilities	-	-	-	-
Net debt	106,534	107,921	97,849	104,714
Dividends paid	784	1,047	1,650	2,984

Note 1: The March 31, 2016 results have been revised to correct to an overstatement of operating expenses. As a result of the review of previous accruals, it was determined that the Company had over-accrued operating expenses in the first quarter of 2016 by \$2,184. The impact of the restatement on the key reporting metrics for the first quarter of 2016 is as follows:

Item	Revised	Previous	Increase (decrease)
Operating expenses	10,142	12,326	(2,184)
Net loss before income taxes	(6,996)	(9,180)	(2,184)
Deferred income tax recovery	(1,606)	(2,196)	(590)
Net loss and comprehensive loss	(5,390)	(6,984)	(1,594)
Net loss and comprehensive loss per share per share (basic and diluted)	\$ (0.12)	\$ (0.16)	\$ (0.04)
Net debt	107,019	109,203	(2,184)

Funds flow from operations	3,329	1,145	2,184
Funds flow from operations per share (basic and diluted)	\$ 0.08	\$ 0.03	\$ 0.05

Petroleum and natural gas sales are impacted by production levels and commodity pricing. Production levels are impacted by decline rates and the Company's capital program. Commodity prices are affected by both domestic and international factors that are beyond the Company's control. In addition, royalties are affected by the underlying commodity pricing and changes in production levels.

Significant factors and trends that have affected the Company's results during the above periods are outlined below:

- Commodity prices continued to improve in the fourth quarter of 2016 as the combination of US election results and the new OPEC agreement in November both had positive impact on oil prices in particular. Average commodity prices increased 12% in the fourth quarter to average \$33.46/BOE. Journey's operating netback improved by 18% to \$16.60/BOE due to the combination of higher prices and lower operating costs. Journey finished its coal bed methane recompletion program during the quarter where in excess of 300 net wells were recompleted for CBM production. The result was an increase of approximately 1,100 BOE/d to gas production with very low incremental costs. The full impact of this production will be realized in 2017. In addition, Journey drilled 5 (4.1 net) wells. Two of these wells were not completed until mid-way through the first quarter of 2017 as the market for completion services with the service companies is becoming tighter.
- Commodity prices showed signs of recovery during the third quarter of 2016 as Journey average commodity prices were \$29.98 as compared to \$26.01 in the second quarter. Leading the way was a 76% increase in realized natural gas prices from the first quarter, while oil and NGL prices were fairly stable quarter to quarter. Journey concentrated on debt reduction and consequently spent only \$3,390 in capital during the quarter while disposing of assets for net proceeds of \$14,276. Journey drilled one well in the Brooks area during the quarter. Due to the limited drilling, and the disposition of assets, the Company's production declined from 8,640 BOE/d in the second quarter to 8,177 BOE/d in the third quarter. Journey's coal bed methane recompletion program for its 300 net wells in the Countess area commenced during the quarter and the additional gas production helped to mitigate the declines and the impact on reported production volumes from the dispositions. The recompletion program is expected to continue into the fourth quarter and will add incremental gas volumes.
- The second quarter of 2016 saw average Journey commodity prices appreciate by 25% from the first quarter. Leading the way was a 43% increase in realized oil prices and a 23% increase in NGL prices. The price appreciation coupled with the cost savings strategies; this led to an increase in funds flow from \$3,329 in the first quarter to \$8,218 in the third quarter. Journey concentrated on debt reduction and consequently spent only \$965 in capital during the quarter. Journey did not drill any wells in the quarter. Due to the lack of drilling, the Company's production declined from 9,533 BOE/d in the first quarter to 8,640 BOE/d in the third quarter. Towards the end of the third quarter the Company embarked on a strategic acquisition and divestiture program, which when fully implemented in August are expected to yield better operating cost synergies going forward.
- The first quarter of 2016 experienced further declines in commodity prices across all product types. On average realized prices were 32% lower than the previous quarter. Capital spending was reduced to maintenance capital and the drilling of 1 (1.0 net) commitment well in Skiff. Total capital spent in the quarter was \$3,719. The reduced capital program had minimal impact on production levels compared to the fourth quarter of 2015 with production coming in at 9,533 BOE/d as compared to 9,593 in the fourth quarter of 2015. Declines will start having their impact in the third quarter. The realized funds flow in the quarter was \$3,329 as a result of the depressed commodity prices.
- In the fourth quarter of 2015, production volumes decreased by 2% or 193 BOE per day to 9,593 BOE per day from 9,786 BOE per day the third quarter. During the quarter, average realized commodity prices decreased by \$3.45 per BOE or 11%. Combined, this resulted in a decrease to P&NG sales of 13% or

\$3,609 from the previous quarter. Operating netback per BOE was 18% higher than Q3, due to a combined 26% decrease in operating costs and royalties more than offsetting reduced P&NG sales. As a result, funds flow netback per BOE was 8% higher over the previous quarter. There were five (3.1 net) wells drilled during the fourth quarter as compared to five (4.4 net) wells in the third quarter.

- In the third quarter of 2015, production volumes decreased by 9% or 823 BOE per day from the third quarter of 2014. Average realized commodity prices decreased by \$4.81 per BOE resulting in a 20% decrease to P&NG sales of \$6,712 from the previous quarter. Operating netback per BOE was 32% lower than Q2, primarily due to decreased realized commodity prices. This resulted in a 34% lower funds flow netback per BOE from the previous quarter. There were five (4.4 net) wells drilled during the third quarter as compared to no new wells in the third quarter. During the quarter, pursuant to the Normal Course Issuer Bid, 1,267 common shares of the Company were purchased and retired for a total cash consideration of \$2,133.
- In the second quarter of 2015, production volumes decreased by 6% or 664 BOE per day from the first quarter of 2015. Average realized commodity prices increased by \$6.08 per BOE resulting in a 14% increase to P&NG sales of \$4,374 over the previous quarter. Operating netback per BOE was 59% higher than Q1, primarily due to increased realized commodity prices. However, the funds flow netback per BOE in the quarter was 15% lower than the first quarter, due to a significant reduction of realized hedging gains. There were no new wells drilled in the quarter as compared to 6 (5.7 net) in the previous quarter.
- In the first quarter of 2015, production volumes decreased by 500 BOE per day over the fourth quarter of 2014, with average commodity prices decreasing significantly by \$14.05 per BOE. P&NG sales decreased 36% from the previous quarter. Operating netback per BOE was 54% lower than Q4, 2014 primarily due to reduced commodity prices. However, the funds flow netback per BOE in the quarter was 24% lower than the fourth quarter, 214 as a result of realized hedging gains. Nine (5.7 net) wells were drilled in the quarter with a 100% success rate as compared to 4 (2.8 net) in the previous quarter.

SELECTED ANNUAL INFORMATION

	December 31, 2016	December 31, 2015	December 31, 2014
Petroleum and natural gas sales	87,239	119,907	209,509
Net income (loss)	52,593	(111,337)	(90,221)
Basic – per share (\$/share)	1.21	(2.55)	(2.56)
Diluted – per share (\$/share)	1.21	(2.55)	(2.56)
Total assets	484,016	452,116	563,588
Total non-current liabilities	177,046	255,905	238,789
Dividends paid	-	6,465	11,468

Journey's aggregate P&NG sales were 27% lower in 2016 compared to 2015 resulting from a 15% decrease in production levels and a 14% reduction in average commodity prices from 2015. The net loss decreased by 147% from \$111,337 in 2015 to net income of \$52,593 in 2016. While both years had significant impairment losses due to declining commodity prices, the impairment reversal in 2016 was more than enough to offset the impairments and as a result Journey showed significant net income. The increase in the total assets in 2016 was primarily due to a partial reversal of prior year impairments. The change in total non-current liabilities during 2016 was significantly due to decreased decommissioning liabilities as interest rates used to discount the future liability rose. At the same time total borrowings decreased during 2016 with the disposition of certain assets and excess funds flow going to reduce bank borrowings.

SUBSEQUENT EVENTS

On March 2, 2017 all of the warrants issued in the private placement of Promissory Notes on October 6, 2016 were exercised for proceeds of \$13,613.

On March 20, 2017, Journey entered into a purchase agreement with a private company to acquire interests in Central Alberta with a focus on upstream and midstream assets in the Greater Gilby area for an aggregate purchase price of \$35.6 million subject to closing adjustments. The consideration to be paid will be comprised of \$29.6 million in cash and \$6.0 million in Journey shares priced at \$2.89 per share. The acquisition will add approximately 2,000 boe/d (28% light oil and natural gas liquids); 5.7 MBOE of proved reserves and 8.3 MBOE of proved plus probable reserves. It is currently anticipated the purchase will close in early May.

CRITICAL ACCOUNTING ESTIMATES

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2016 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2016 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount which involves an estimate of uncollectible amounts. The Company regularly assesses the counter party's financial strength and provides an estimate of uncollectible amounts based on several factors which include aging, the party's credit worthiness and the nature of the receivable.

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and

partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible and practical, the Company requires cash calls from its partners on capital projects before they commence. Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery.

Derivatives

The fair value of derivative contracts are based on published market prices as at the balance sheet date and may differ from what will eventually be realized. During the period of the contracts, changes in the fair value of the derivative contracts are recognized in statement of comprehensive income (loss). The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices which are determined by supply and demand factors including: weather and general economic conditions in places that Journey does not operate and therefore are largely outside of Journey's control. The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

Commodity price volatility from period to period can have a dramatic effect on the recorded realized and unrealized gains and comprehensive income or loss for any reporting period.

Oil and gas reserves

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with the National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil and natural gas in place, recovery factors and future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. The key estimates used in the determination of funds flows from oil and natural gas reserves include the following:

- i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
- ii) Oil and natural gas prices – Forward price estimates are used in the funds flow models. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
- iii) Discount rate – The discount rate used to calculate the net present value of funds flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on net earnings as further information becomes available and as the economic environment changes.

Purchase price allocations and calculations of depletion and depreciation, impairment and deferred income tax assets are based on estimates of oil and gas reserves. Reserves estimates are based on engineering data, estimated future prices, expected future rates of production and timing of future capital expenditures. By their nature, these estimates are subject to measurement uncertainties and interpretations and the impact on the financial statements could be material. The Company expects that over time, its reserves estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and may be affected by changes in commodity prices.

Depletion and depreciation

Depletion of oil and gas properties is provided using the unit-of-production method and is based on production volumes (before royalties) in relation to total estimated proved and probable reserves as determined by internal reserve evaluations for the first three quarters of the year and then at year-end by the Company's independent engineers. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion of oil and gas properties including production equipment and facilities are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated salvage value of production equipment and facilities after the reserves are fully produced. Exploration and evaluation costs are excluded from depletion calculations.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in proved and probable reserves.
- Changes in estimates of future development costs.
- The effect on proved and probable reserves of differences between actual production as compared to forecasts as well as commodity price assumptions.
- Unforeseen operational issues.

Exploration and evaluation ("E&E") assets

The decision to transfer assets from E&E to property, plant and equipment is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability. Upon determination of economic recoverable reserves, the assets transferred include certain and determinable recorded costs drilling costs and apportionment of certain costs accumulated by property such as exploration licenses, leasehold acquisitions, seismic and evaluation costs that would be associated with the reserves. Such determination is not typically subject to trending.

Impairment/Recoveries

The recoverable amounts of Cash Generating Units ("CGU"), as defined below, and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs. Key assumptions in the determination of funds flows from reserves include reserves as estimated by the Company's independent qualified reserve evaluators. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

The Company's significant accounting policies are disclosed in note 3 to the audited consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results than reported. The Company's management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results that differ materially from current estimates.

CGU definition

The determination of CGU's requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Recoverable amounts of CGUs

The recoverable amount of a CGU used in the assessment of impairment is the greater of its value-in-use ("VIU") and its fair value less costs of disposal ("FVL COD"). VIU is determined by estimating the present value of the future net funds flows from the continued use of the CGU, and is subject to the risks associated with estimating the value of reserves. FVL COD refers to the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

Both VIU and FVL COD estimates include the estimated reserves values in their determination. The key assumptions and estimates of the value of oil and gas reserves and the existing and potential markets for the Company's oil and gas assets are made at the time of reserves estimation and market assessment and are subject to change as new information becomes available. Changes in international and regional factors, including supply and demand of commodities, inventory levels, drilling activity, currency exchange rates, weather, geopolitical and general economic environment factors, may result in significant changes to the estimated recoverable amounts of CGUs.

Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of certain facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In addition, the Company determines the appropriate discount rate at the end of each reporting period. The Company uses the risk-free discount rate to determine the present value of the estimated future cash outflows to settle the obligation and may change in response to numerous market factors. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Share based compensation

The fair value of both the stock options and performance warrants granted are measured using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option, the expected volatility of the Company's shares, the expected life of the options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options is based on historical experience and estimates of the holder's behavior. Dividends are not factored in. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest. As described in Note 15 of the Company's December 31, 2016 audited consolidated financial statements, in 2015 a tranche of RSUs 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. In 2015 the Company also granted Performance Share Units ("PSUs") to certain employees that cliff vest on the third anniversary date of issuance. The settlement method is at the discretion of the Company and may be either in cash or shares.

Income taxes

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Various assumptions are made in assessing when temporary differences will reverse and this may impact the rate used. Assessing the recoverability of deferred income tax assets requires significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast funds flows from operations and the application of existing tax laws in each jurisdiction in which the Company operates. To the extent that future funds flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be materially impacted.

The determination of the Company's income and other tax assets and liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset or liability may differ from that estimated and recorded by management. The Company estimates its future income tax rate in calculating its future income tax asset or liability.

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

On January 13, 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively, treating all leases as finance leases. Short term leases of less than 12 months and leases of low value assets are exempt from the requirements and can continue to be treated as operating leases. Lessors will continue with the dual classification and that classification will determine how and when lease revenue will be recognized and what assets will be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue From Contracts With Customers" has already been adopted. Journey is currently assessing the impact of IFRS 16 on the Company's financial statements and the merit of early adoption.

On July 24, 2014, The IASB issued the final version of IFRS 9, "*Financial Instruments*" (IFRS 9) to replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39) IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income instead of net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Journey does not currently apply hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. Journey is currently assessing the impact of IFRS 9 on the Company's financial statements and the merit of early adoption.

On January 29, 2016, the IASB issued amendments to IAS 7, "Statement of Funds flows" ("IAS 7"), which require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities. IAS 7 is to be applied prospectively for annual periods beginning on or after January 1, 2017. Journey is currently assessing the impact of IAS 7 on the Company's financial statements.

On April 12, 2016, the IASB issued amendments to IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The amendments address implementation questions that were discussed by the Joint Transition Resource Group for revenue recognition regarding; identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property and transition. The amendments are also intended to ensure a more consistent application and reduce costs and complexity of adoption. Journey is currently assessing the impact of IFRS 15 on the Company's financial statements and the merit of early adoption.

RISK FACTORS AND RISK MANAGEMENT

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

Commodity Price Risk

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

The risk associated with using these derivative contracts include: commodity prices moving materially in favour of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favour. Journey mitigates these risks by entering mainly into collar transactions that give acceptable ranges of prices and furthermore by dealing with its chartered banks as the primary counterparty.

Foreign Exchange Risk

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

Credit Risk

Credit risk arises from the potential loss resulting from a counterparty failing to meet its obligations in accordance with the agreed terms. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. Substantially all of the accounts

receivable are with its marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these parties and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. In many cases, the Company has offsetting receivables and payables with its joint venture partners and makes use of these offsets to mitigate any payment risk. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. On a regular basis, the Company assesses the potential for bad debts associated with these parties and provides for accordingly.

Receivables related to the sale of the Company's petroleum and natural gas production are mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery.

The counter-parties with which the Company maintains its risk management contracts are major Canadian chartered banks having investment grade rating.

Credit Facility Risk

As at December 31, 2016 the Company had a revolving bank credit facility of \$90,000 with a syndicate of banks. This facility was comprised of a reserves based, production facility of \$70,000 and a \$15,000 working capital facility. The facility is a 365 day revolving facility from a syndicate of lenders with a maturity of April 29, 2017. The maturity date may, at the request of the Company and with the consent of the lenders, be extended for a one year term after this date. There is a risk that the facility may not be renewed for the same amount or under the same or similar terms to what currently exists. 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 is subject only certain customary non-financial covenants in its credit facility agreement. Journey was in compliance with all covenants as at December 31, 2016 and December 31, 2015. The credit facility contains customary restrictions on the disposition of assets and the granting of security, as well as on the making of distributions if there is a default under the facility.

The effective annualized interest rate for the year ended December 31, 2016 was 5.5% (2015 – 3.9%). The Company has risk associated with the credit facility to the extent it is not fully supported by the underlying reserve values as determined by the syndicate.

Access to Capital Markets

The Company's business plan includes the making of significant capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As funds flow from operations may not be sufficient to fund its ongoing activities at all times, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities over and above its lending facility. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss out on acquisition opportunities, and reduce or terminate operations. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects. Should circumstances affect the funds flow from operations in a detrimental way, the Company would respond by increasing debt within the Company's self-imposed debt guideline and/or reducing capital expenditures. The Company relies on various sources of funding to support its capital expenditure program including:

- Internally generated funds flows;
- Debt may be utilized to expand capital programs when deemed appropriate; and

- Additional equity, if available and on terms acceptable to the Company, may be used to expand or support exploration and development programs and fund acquisitions.

Interest Rate Risk

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

The maturing Western Canadian Sedimentary Basin

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

Increasing United States Oil and Natural Gas Supply

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

Operating and finding and development costs are decreasing each year

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

- Focusing its efforts on its core areas wherein its expertise and experiences can be properly leveraged;
- Generating as many internal projects as possible;
- Being the operator on the majority of projects;
- Identifying drilling opportunities with multi-zone prospects; and
- Making prudent use of seismic data to identify prospects – either by purchasing trade data or by shooting new seismic.

Administrative Risks

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

Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas.

The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The Alberta government has recently announced changes to its royalty structure framework effective January 1, 2017. In general, the changes appear not to be financially onerous but the Company will continue to monitor and assess as the details become known. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is well above this limit and does not expect to post any such deposits in the foreseeable future.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings or other reports are being prepared, and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P at December 31, 2016. Based on that evaluation, the CEO and CFO have concluded that the Company's DC&P are effective at the financial year end of the Company for the foregoing purposes.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the financial year end December 31, 2016, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Management of Journey, including the CEO and CFO, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2016. Based on that evaluation, the CEO and CFO have concluded that the ICFR are effective as of the end of the year, in all material respects.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting. Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the fourth quarter of 2016.

During the second quarter, the CEO and CFO came aware that certain operating expenses of the Company were over-stated. As a result of certain staffing changes and reassignment of tasks during the first quarter, the CEO and CFO embarked on a detailed review of the operating expense accrual process during the second quarter. As a result of this review, the CEO and CFO concluded that there was a material weakness in the accrual process and therefore concluded that the disclosure, controls and procedures were not effective. The rapid descent in oil and natural gas prices towards the end of 2015 and continuing through the first quarter of 2016 caused the industry to focus harder than ever on cost controls. The decline in operating costs for Journey was as expected throughout the last two quarters of 2015 but the combination of cost savings and the decrease in discretionary spending accelerated during the first quarter. Journey was realizing substantial gains to its operating cost structure due to: reduced maintenance, chemical, and well servicing costs and the curtailment of high cost uneconomic production. These savings were not easily quantifiable in the first quarter of 2016, and therefore, Journey's actual field operating costs for the first quarter were lower than what was previously accrued for. The result was that the operating expenses for the first quarter should have been \$2,184 lower than what was previously reported. This over-accrual was rectified in the nine months data for 2016. In addition, the CEO and CFO implemented new internal controls to ensure that the accrual process was strengthened and that data is being captured on a more timely basis, which will result in a better accrual process.

The CEO and CFO believe that the weaknesses in certain internal controls have been rectified early in the year and their ongoing monitoring of these processes indicates that they are now operating effectively. Journey confirms the effectiveness of Internal Controls over Financial Reporting (ICFR) and Disclosure Controls and Procedures (DCP) for the year ended December 31, 2016.

It should be noted that a control system, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

The December 31, 2016 audited consolidated financial statements are available on SEDAR at www.sedar.com as well as the Company's website at www.journeyenergy.ca.