



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2018

March 27, 2019

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CONVENTIONS

Words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this AIF (as defined herein) are in Canadian dollars unless otherwise indicated.

All financial information in this AIF has been presented in accordance with GAAP (as defined herein).

Certain terms used in this AIF are defined under the headings “*Glossary*”, “*Presentation of Oil and Gas Reserves and Production Information - Glossary of Selected Oil and Gas Terms*” and “*Presentation of Oil and Gas Reserves and Production Information - Selected Abbreviations*”. Certain other terms used in this AIF but not defined herein are defined in NI 51-101 (as defined herein) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF constitute forward-looking statements. These statements relate to future events or the Company’s (as defined herein) future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “shall”, “project”, “should”, “could”, “would”, “believe”, “predict”, “forecast”, “pursue”, “potential” and “capable” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF. In addition, this AIF may contain forward-looking statements and forward-looking information attributed to third party industry sources.

In particular, this AIF contains forward-looking statements pertaining to the following:

- the reserve potential of the Company’s assets;
- the estimated production and decline rates from the Company’s assets;
- the Company’s growth strategy through accretive acquisitions and organically;
- the Company’s plans to optimize legacy pools through horizontal drilling and water floods;
- the Company’s expectations to renew the Credit Facility;
- the Company’s targets for future growth;
- expectations with respect to future opportunities and stability;
- expectations with respect to future funds flow, net debt, Capital Efficiencies (as defined herein), payout ratios and other financial results;
- the Company’s capital expenditure programs;
- the estimated quantity and value of the Company’s proved and probable reserves;
- the Company’s estimates of future interest and foreign exchange rates;
- the cash available for the funding of capital expenditures;
- the Company’s environmental considerations;
- the Company’s expectations regarding commodity prices and costs;
- the timing of commencement of certain of the Company’s operations and the level of production anticipated by the Company and production method efficacy;
- expectations regarding tax horizon;
- the potential for production disruption and constraints;
- supply and demand fundamentals for crude oil and natural gas;
- the expectation that supply in excess of current pipeline and refining capacity is expected to continue;
- the Company’s access to adequate pipeline capacity;
- the Company’s access to third-party infrastructure;

- the Company's hedging policy;
- the Company's plans for, funding for and planned exploration and development activities, the expected results for such activities and how such activities are expected to be funded;
- the Company's abandonment and reclamation cost expectations;
- the Company's treatment under governmental regulatory regimes and tax laws;
- the Company's future general and administrative expenses;
- the Company's access to capital and overall strategy, development and drilling plans for all of the Company's assets; and
- expectations on how the Company will manage exploration, production and marketing risks.

With respect to forward-looking statements contained in this AIF, assumptions have been made regarding, among other things:

- future crude oil, NGL (as defined herein) and natural gas prices;
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future;
- the Company's ability to market production of oil and natural gas successfully to customers;
- the Company's future production levels;
- the applicability of technologies for recovery and production of the Company's reserves;
- the recoverability of the Company's reserves;
- future capital expenditures to be made by the Company;
- future cash flows from production meeting expectations;
- future sources of funding for the Company's capital program;
- the Company's future debt levels;
- geological and engineering estimates in respect of the Company's reserves;
- the geography of the areas in which the Company is conducting exploration and development activities;
- the impact of competition on the Company; and
- the Company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this AIF, including:

- business operations and capital costs;
- the Company's status and stage of development and the management of growth;
- general economic, market and business conditions;
- volatility in market prices and demand for crude oil and natural gas and hedging activities related thereto;
- seasonality of the Canadian oil and gas industry;
- risks related to the exploration, development and production of oil and natural gas reserves;
- current global financial conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility;
- risks related to the timing of completion of the Company's projects;
- competition for, among other things, capital, the acquisition of reserves and resources and skilled personnel;
- operational hazards;
- actions by governmental authorities, including changes in government regulation and taxation;
- environmental risks and hazards;
- risks inherent in the exploration, development and production of oil and natural gas which may create liabilities to the Company in excess of the Company's insurance coverage;
- cost of new technologies;
- failure to accurately estimate abandonment and reclamation costs;
- failure of third parties' reviews, reports and projections to be accurate;
- the availability of capital on acceptable terms;

- political risks;
- climate change;
- changes to royalty or tax regimes;
- the failure of the Company or the holders of certain licenses or leases to meet specific requirements of such licenses or leases;
- claims made in respect of the Company's properties or assets;
- aboriginal claims;
- unforeseen title defects;
- risks arising from future acquisition activities;
- risks associated with the realization of anticipated benefits of acquisitions and dispositions;
- hedging strategies;
- potential conflicts of interest;
- the potential for management estimates and assumptions to be inaccurate;
- risks associated with establishing and maintaining systems of internal controls;
- risks related to the reliance on historical financial information, including that historical financial information does not reflect the added costs that the Company expects to incur as a public entity;
- restrictions contained in the Company's Credit Agreement (as defined herein);
- liquidity and additional funding requirements;
- additional indebtedness;
- failure to engage or retain key personnel;
- potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Company is reliant;
- uncertainties inherent in estimating quantities of oil and natural gas reserves;
- failure to acquire or develop replacement reserves;
- geological, technical, drilling and processing problems, including the availability of equipment and access to properties;
- failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties;
- disclosure of confidential information of the Company; and
- other factors discussed under "Risk Factors".

Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive.

In addition, information and statements in this AIF relating to "reserves" are deemed to be forward-looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and that the reserves described can be profitably produced in the future. See also "*Note on Reserves Data*".

There are numerous uncertainties inherent in estimating quantities of oil and natural gas and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this AIF are estimates only. In general, estimates of economically recoverable oil and natural gas and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For these reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Journey's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. See also "*Note on Reserves Data*".

The forward-looking statements included in this AIF are expressly qualified by this cautionary statement and, except as otherwise indicated, are made as of the date of this AIF. The Company does not undertake any

obligation to publicly update or revise any forward-looking statements or departures from them except as required by applicable securities laws.

ACCESS TO DOCUMENTS

Any document referred to in this AIF and described as being accessible on the SEDAR website at www.sedar.com (including those documents referred to as being incorporated by reference in this AIF) may be obtained free of charge from the Company at Suite 700, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8.

NON-GAAP MEASURES

Journey uses terms within this AIF that do not have a standardized prescribed meaning under GAAP (as defined herein) and these measurements may not be comparable with the calculation of similar measurements of other entities.

Throughout this AIF the Company uses the terms “funds flow”, “netback”, and “net debt”. These terms do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements by other entities.

“**Funds Flow**” is a non-GAAP measure and is calculated based on cash flow from operating activities and then removing the impact of: the change in non-cash working capital; transaction costs; and decommissioning expenditures. Journey believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Journey’s operating performance. Management utilizes Funds Flow as a key measure to assess the ability of the Company to finance operating activities and capital expenditures. Funds Flow should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indication of Journey’s performance.

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

	Year ended		
	December 31, 2018	December 31, 2017	December 31, 2016
Cash flow from operating activities	15,415	36,798	17,333
Transaction costs	194	628	185
Decommissioning expenditures	1,288	827	526
Change in non-cash working capital	1,396	(7,127)	9,428
Funds flow	18,293	31,126	27,472

“**Netback**” is a non-GAAP measure and is calculated on a per boe basis and is determined by deducting royalties and operating expenses from petroleum and natural gas revenue. Netback is utilized by Journey to better analyze the operating performance of its petroleum and natural gas assets against prior periods.

“**Net debt**” is an additional non-GAAP measure and is calculated as total bank debt (current plus the long term portions of the bank debt) plus all other current liabilities (excluding derivative contract fair values and decommissioning liabilities) less current assets (excluding derivative contract fair values). Net debt is used by management in its capital budgeting by analyzing the financial position and leverage of the Company. It is also used as a comparison metric to assess financial strength in relation to Journey’s peers.

PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

Journey has adopted the standard of 6 Mcf:1 Bbl when converting natural gas to oil equivalent. Boe’s may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 Bbl, utilizing a conversion ratio at 6 Mcf:1 Bbl may be misleading as an indication of value.

The discounted and undiscounted net present values of future net revenues attributable to reserves do not represent the fair market value of reserves.

There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves provided in this AIF are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided in this AIF.

The estimates of reserves and future net revenue for individual properties in this AIF may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Glossary of Selected Oil and Gas Terms

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below. These definitions are generally as set forth in the COGE Handbook (as defined herein) and NI 51-101 and are reproduced below for the convenience of the reader.

°**API** means the American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; and if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids.

API means the American Petroleum Institute.

basin means a large natural depression on the earth's surface in which sediments generally brought by water accumulate.

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

company gross reserves means the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company.

developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

development cost means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

development well means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

exploration costs means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

exploratory well means a well that is not a development well, a service well or a stratigraphic test well.

field means a defined geographical area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

finding, development and acquisition costs means the identified capital expenditures associated with the addition of proved plus probable reserves including changes in future development capital, divided by the associated reserve additions during the period that the expenditures were incurred.

forecast prices and costs means future prices and costs that are:

- (a) generally acceptable as being a reasonable outlook of the future; and
- (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

formation means a layer of rock which has distinct characteristics that differ from nearby rock.

future income taxes when used are estimated:

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances; and
- (d) applying to the future pre-tax net cash flows relating to Journey's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

gross means:

- (a) in relation to a company's interest in production or reserves, its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company;
- (b) in relation to wells, the total number of wells in which a company has an interest; and
- (c) in relation to properties, the total area of properties in which a company has an interest.

horizontal drilling means a drilling technique used in certain formations where a well is drilled vertically to a certain depth, after which the drill path builds to 90 degrees until it is in the target formation and continues horizontally for a certain distance.

liquids means crude oil and natural gas liquids.

net means:

- (a) in relation to a company's interest in production and reserves, the company's interest (operating and non-operating) share after deduction of royalty obligations, plus the company's royalty interest in production or reserves;
- (b) in relation to a company's interest in wells, the number of wells obtained by aggregating the company's working interest in each of its gross wells; and
- (c) in relation to a company's interest in a property, the total area in which the company has an interest multiplied by the working interest owned by the company.

probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

reservoir means a porous and permeable underground rock formation containing a natural accumulation of petroleum that is confined by impermeable rock or water barriers, is separate from other reservoirs and is characterized by a single pressure system.

service well means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

working interest means the right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

Selected Abbreviations

In this AIF, unless otherwise indicated or the context otherwise requires, the following abbreviations shall have the meaning set forth below:

Crude Oil and Natural Gas Liquids

bbl(s)	Barrel(s) of oil
bbl/d	barrels of oil per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
Mbbls	thousand barrels
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
NGLs	natural gas liquids
WTI	West Texas Intermediate

Natural Gas

Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British thermal units
MMcf	million cubic feet
MMcf/d	million cubic feet per day

Other	
\$ or dollars	Canadian dollars
\$000	thousand dollars
MM\$	million dollars
\$/bbl	dollars per barrel of oil
\$/boe	dollars per barrel of oil equivalent
\$/Mcf	dollars per thousand cubic feet
\$US or US\$	United States dollars
3D	three dimensional
m	metre

Selected Conversions

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.315
bbls	cubic metres	0.159
cubic metres	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
sections	acres	640
acres	sections	0.0015625

NOTE ON RESERVES DATA

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The qualitative certainty levels referred to in the definitions set forth in the “*Presentation of Oil and Gas Reserves and Production Information - Glossary of Selected Oil and Gas Terms*” in this AIF are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

GLOSSARY

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below:

AB LLR Program means the Alberta Licensee Liability Rating Program.

ABCA means the *Business Companies Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

Action Plan means "Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution" released by the Government of Canada.

AER means the Alberta Energy Regulator.

AIF means this annual information form.

AIMCo means the Alberta Investment Management Company.

Alberta Royalty Framework means the *Mines and Minerals (New Royalty Framework) Amendment Act* (Alberta).

ALSA means the *Alberta Land Stewardship Act*.

ALUF means the Alberta Land Use Framework.

Audit Committee means the audit committee of the Board.

Bison means Bison Interests, LLC or Bison Opportunity Fund L.P.

Board or **Board of Directors** means the board of directors of the Company.

Bulletin 16 means Bulletin 2018-16: Licensee Eligibility—Alberta Energy Regulator Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater decision.

Bulletin 21 means Bulletin 2018-21: Revision and Clarification on Alberta Energy Regulator's Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater decision.

Capital Efficiency means the aggregate amount of capital expenditures (including drilling, well completion, associated equipment and connecting to infrastructure) associated with generating new production, divided by the average production rate over the initial 365 day period.

CCIR means the *Carbon Competitiveness Incentive Regulation* (Alberta).

CEO means Chief Executive Officer.

CETA means the Comprehensive Economic and Trade Agreement.

Changes has the meaning set out in "*Industry Conditions – Liability Management Rating Programs – Alberta*".

CLA means the *Climate Leadership Act* (Alberta).

CLIA means the *Climate Leadership Implementation Act* (Alberta).

Common Shares means the common shares in the capital of the Company.

COO means the Chief Operating Officer.

CPTPP means the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Credit Agreement means the \$100 million amended and restated credit agreement dated November 24, 2016, among Journey, as borrower, the financial institutions party thereto as lenders and Bank of Montreal as agent for the lenders, See “*Description of Share Capital – Credit Agreement*”.

Credit Facility means the current \$100 million credit facility comprised of: (a) a production facility of \$85 million and (b) a working capital facility of \$15 million.

CSA 51-324 means Staff Notice 51-324 – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

Directive 013 means Directive 013: Suspension Requirements for Wells.

ESTMA means the *Extractive Sector Transparency Measures Act* (Canada).

GAAP means generally accepted accounting principles for publicly accountable enterprises (being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board).

GHG means greenhouse gas.

GLJ means GLJ Petroleum Consultants, independent petroleum consultants of Calgary, Alberta.

GLJ Report means the report prepared by GLJ dated February 12, 2019 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to all of the assets of Journey as at December 31, 2018. The related Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor in Form 51-101F2 and Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached hereto as Appendices “A” and “B”, respectively.

Governance & Compensation Committee means the corporate governance & compensation committee of the Board.

INDC means Intended Nationally Determined Contribution.

IWCP means the Inactive Well Compliance Program.

JDRF means the Juvenile Diabetes Research Foundation.

Journey or the **Company** means Journey Energy Inc.

Kiwetinothk or **KRC** means Kiwetinothk Resources Corp.

LARP means the Lower Athabasca Regional Plan.

LIBOR means the London Interbank Offered Rate.

LMR means the liability management rating, reflecting the results of a comparison of a company’s deemed assets to their deemed liabilities.

MIE means MIE Maple Investments Ltd.

MIEH means MIE Holdings Corporation.

MRF means the Modernized Royalty Framework for Alberta.

NAFTA means the North American Free Trade Agreement.

NDC means Nationally Determined Contributions.

NEB means the National Energy Board of Canada.

NI 51-101 means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

OGCA means the *Oil and Gas Conservation Act* (Alberta).

OPEC means the Organization of Petroleum Exporting Countries.

Order has the meaning set out in “*Directors and Officers – Crease Trade Orders, Bankruptcies, Penalties or Sanctions – Cease Trade Orders*”.

Orphan Fund has the meaning set out in “*Industry Conditions – Liability Management Rating Programs – Alberta*”.

Paris Agreement has the meaning set out in “*Industry Conditions – Climate Change Regulation – Federal*”.

Preferred Shares means the preferred shares in the capital of the Company.

Promissory Notes (2016) means the promissory notes issued to AIMCo in the private placement on October 6, 2016 in the aggregate face value amount of \$30,000,000 and bearing interest at 7.65% per annum.

Promissory Notes (2018) means the promissory notes issued to AIMCo in the private placement on January 31, 2018 in the aggregate face value amount of \$22,000,000 and bearing interest at 7.65% per annum.

Prosperity Act means the *Jobs, Growth and Long-term Prosperity Act* (Canada).

PSP means Infra-PSP Partners Inc., a wholly-owned subsidiary of PSP Investments.

Redwater means the Alberta Court of Queen's Bench decision *Redwater Energy Corporation (Re)*, 2018 ABQB 278.

Regulated Emitters has the meaning set out in “*Industry Conditions – Climate Change Regulation – Alberta*”.

Reserves Committee means the reserves committee of the Board.

Restricted Voting Shares means the additional class of shares, which shares are not entitled to vote with respect to the election of directors of Journey, that the Company created on June 6, 2014. See “*Description of Share Capital – Restricted Voting Shares*”.

SGER means the *Specified Gas Emitters Regulation* (Alberta).

Shareholders means the holders of Common Shares from time to time.

SSRP means the South Saskatchewan Regional Plan.

Sword means Sword Energy Inc.

Tax Act means the *Income Tax Act* (Canada), R.S.C. 1985, c-1 (5th Supp.), as amended, including the regulations promulgated thereunder.

Term Out Date has the meaning set out in “*Description of Share Capital – Credit Agreement*”.

TSX means the Toronto Stock Exchange.

U.S. or United States means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

UNFCCC means the United Nations Framework Convention on Climate Change.

Updated Action Plan means an update to the Action Plan, "Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions".

Virginia means Virginia Hills Oil Corp.

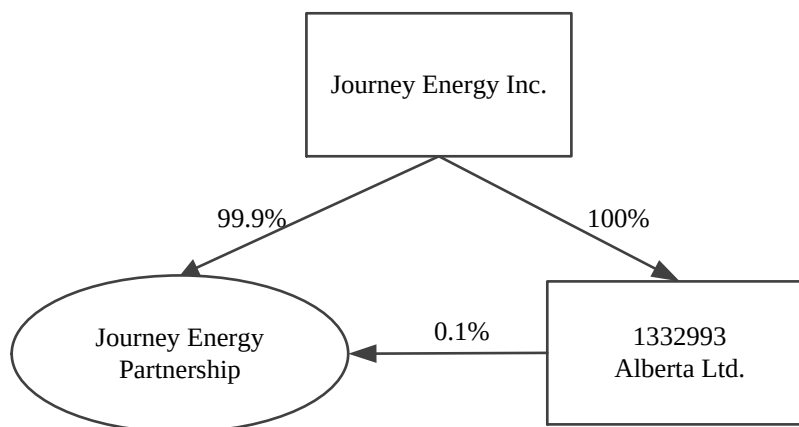
CORPORATE STRUCTURE

The Company was formed on June 26, 2007 under the ABCA as “Sword Energy Inc.”. On July 1, 2012, Sword amalgamated with Capex Exploration Ltd. and 1685263 Alberta Ltd. and then the resulting corporation amalgamated with 1317139 Alberta Ltd. under the ABCA on the same day. The resulting entity amended its articles to change its name from Sword Energy Inc. to “Journey Energy Inc.”

On May 7, 2014, Journey amended its articles to consolidate its Common Shares on a two for one basis. On June 6, 2014, the Company amended its articles to create the Restricted Voting Shares. See “*Description of Share Capital – Restricted Voting Shares*”.

Journey’s head office is located at Suite 700, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8 and its registered office is located at Suite 4300, Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5.

The Company has two wholly-owned subsidiaries: Journey Energy Partnership, a general partnership formed under the laws of the Province of Alberta, and 1332993 Alberta Ltd., a corporation formed under the laws of the Province of Alberta.



GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

In February of 2019 Journey announced a \$30 million capital budget. Originally Journey planned to spend \$40 million on its capital plans for 2019 but the severe reduction in oil prices in the fourth quarter of 2018 has caused Journey to defer the commencement of its drilling program to the summer of 2019.

Three Year History

2018

On January 31, 2018 Journey closed a \$22,000,000 promissory note financing with AIMCo. The purpose of the financing was to provide the funds needed to purchase Journey shares from MIE. The Promissory Notes (2018) bear interest at the rate of 7.65% per annum with interest payable semi-annually. The Promissory Notes (2018) mature on September 30, 2022. In conjunction with the financing, AIMCo also received 2,310,000 warrants with an exercise price of \$2.51 per warrant. Each warrant is exercisable into one Common Share and expire on June 1, 2020.

On February 2, 2018 Journey closed the purchase of 12,700,000 Common Shares from MIE for a purchase price of \$1.68 per share. After the purchase, the shares were returned to treasury and cancelled. The aggregate purchase price

of \$21.3 million was financed with a \$22 million term debt loan from AIMCo. The AIMCo debt bears interest at the rate of 7.65% per annum with semi-annual interest payments and will mature on September 30, 2022.

On August 29, 2018 Journey entered into a joint venture agreement to develop its East Duvernay shale oil undeveloped lands with Kiwetinohk Resources Corp. The Agreement contemplates both a two well “Commitment” phase followed by a five well “Option” phase as follows:

- For the two well Commitment phase, Kiwetinohk will pay 100% of the capital costs, and have 100% working interest, before payout of 58.33% of its costs to drill, complete, equip and tie in. Journey will be entitled to a 3.75% gross over-riding royalty on the production from the wells prior to payout. After payout, and conversion of the royalty, Kiwetinohk will have a 70.83% working interest in the commitment wellbores while Journey will have a 29.17% working interest. After earning, the working interests in the Commitment blocks, outside of the two commitment wells, will be Kiwetinohk 62.5% and Journey 37.5%. Kiwetinohk will be the operator of all of the lands earned.
- For the five well Option phase, Kiwetinohk will pay 100% of the capital costs, and have 100% working interest, before payout of 33.33% of its costs to drill, complete, equip and tie in. Journey will receive no royalty prior to payout. After payout, Kiwetinohk will have 70.83% working interest in the option wellbores while Journey will have a 29.17% working interest. After earning, the final working interests in the applicable earned Option block, outside of the five option wells, will be Kiwetinohk 62.5% and Journey 37.5%. Kiwetinohk will be the operator of all of the lands earned.

On October 1, 2018, operations under the joint venture were initiated. The first Commitment well was been drilled and cased to a measured depth of 6,500 meters. The 3,500 meter horizontal section represents one of the longest horizontal sections drilled in the East Duvernay shale basin to date. Operations on a second well from the same surface location were initiated on October 28.

During 2018 Journey experienced wide ranging oil prices as the theme for the year was rising WTI prices in the first nine months of the year, along with widening WTI/Edmonton Light oil differentials. In the last quarter of the year Journey realized prices decreased 38% to average \$22.34/boe. This decline was led by the decrease in oil prices by 54% from the third quarter resulting from historic WTI/Canadian par differentials. Realized natural gas prices helped offset some of the negative oil price impact with a 48% increase from the third quarter and mainly attributable to the price diversification strategy Journey employed into the US markets. Due to the severe decline in oil prices, capital spending in the fourth quarter was dedicated to necessary maintenance expenditures only as Journey spent \$1.1 million. Due to the uncertainty surrounding oil price direction, Journey did not drill any new wells in the fourth quarter. The Alberta Government imposed production restrictions on producers that became effective on January 1, 2019. Small producer such as Journey were not impacted by these curtailments, however, the differentials responded positively to this initiative late in December and shrank to \$4/bbl from the \$22/bbl experienced earlier in the month. As a result of no drilling activity in the fourth quarter production averaged 9,921 boe/d bringing the average for the year to 10,075 boe/d. Funds Flow for the fourth quarter were slightly negative at \$42 thousand. This prompted management to defer any drilling plans into June of 2019 as we use Funds Flow from the early part of 2019 to reduce the increased debt resulting from the low oil prices. Journey average less than \$10/bbl CAD for oil prices in December of 2018.

2017

Persistently low commodity prices were the theme for 2017 with WTI oil prices averaging US\$50.95 and AECO natural gas prices averaged \$2.20/mcf for the year. Journey’s goal for 2018 was to protect its balance sheet and be prudent about its capital spending. On March 3, 2017, AIMCo exercised all of its 4,950,000 share purchase warrants for gross proceeds of \$13.6 million, with 4,950,000 Common Shares issued on this date. The proceeds of the warrant exercise were used to repay outstanding bank indebtedness. The uncertainty over commodity prices created an acquisition opportunity for Journey in the first quarter. 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 adjustment. The purchase price was paid with \$29.6 million in cash and \$6.0 million in Journey Common Shares priced at \$2.89 per share. The

acquisition added approximately 2,000 BOE/d (28% light oil and natural gas liquids); 9.5 MMBOE of proved reserves and 14.4 MMBOE of proved plus probable reserves. Journey averaged 9,962 boe/d for 2018 and spent \$65.6 million in capital (net of dispositions). Journey drilled 12 (11.5 net) wells during the year with an 83% success rate. Proved plus probable finding, development and acquisition costs for the year were \$6.68 per boe and total reserves were 60.2 mmboe (2018 – 47.8 mmboe).

On June 14, 2017, Journey announced that it received approval from the TSX to undertake a proposed normal course issuer bid to purchase up to 2,522,292 Common Shares, representing approximately 10% of the issued and outstanding Common Shares of the Company.

2016

The oil price drop that started in 2015 persisted into 2016 with prices bottoming in February 2016. Oil prices slowly rose throughout the year until the OPEC production agreement in November 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's bank credit line was reduced from \$140 million at the beginning of the year to \$90 million in the fall. Capital spending was reduced from an initial planned level of \$40 million at the beginning of the year, to a minimal spending budget of \$16 million. Net asset dispositions were \$9.3 million with the focus being on selling high operating cost properties and acquiring strategic infrastructure to reduce remaining operating costs. The excess cash was used to pay down corporate bank borrowings. The Company divested itself from Gas Lite Energy Inc. in August, which allowed the Company to increase its LMR and mitigated any possibility of bad debts associated with its joint venture relationship. On October 6, 2016, Journey entered into a strategic financing relationship with AIMCo wherein the Promissory Notes (2018) were issued. As part of this financing, 4.95 million share purchase warrants were issued at a 40% premium to Journey's market price or \$2.75 per warrant. The theme for the year was the implementation of cost cutting measures and what started in 2015 continued into 2018. Staff layoffs continued and the head count went from 75.1 full time equivalents in both the field and head office at the beginning of the year to 63.6 by the end of the year. Despite the challenges in the year and the limited capital spending, the Company was able to realize excellent finding and development costs. Proved plus probable finding, development and acquisition costs were reduced to a negative \$2.75/boe from a positive \$5.13/boe in 2015, including changes in future development capital. The negative number in 2016 was the result of a combination of: significant reserve additions; lower projected future development costs; and the future development capital transferred, associated with properties disposed of in the year. The final proved plus probable reserves for the year were slightly lower at 47.8 mmboe (2015 – 49.8 mmboe) despite the net sale of producing assets and producing 3.2 mmboe during the year.

DESCRIPTION OF THE BUSINESS

Journey is a Canadian exploration and production company focused on conventional, oil and natural gas operations in western Canada. Journey is a growth oriented company focused on drilling on its existing core lands, implementing water flood projects, executing on accretive acquisitions, growing its production base and developing a new oil resource play in the Duvernay. Management is focused on providing these returns by diligently managing its capital and by being disciplined in exploiting its extensive asset base. The Company's Common Shares trade on the TSX under the symbol "JOY".

Since the restructuring in July of 2012, Journey has grown its production from approximately 4,000 boe/d to approximately 10,000 boe/d by the end of 2018. This growth has been achieved through a combination of successful drilling and strategic acquisitions. Management believes that Journey's existing asset base provides a robust inventory of organic drilling opportunities, which will support the Company's growth business model.

Journey's goals are to optimize its legacy oil pools on existing lands through the application of best practices in horizontal drilling and, where feasible, with water floods. Journey also intends to continue to grow the Company through strategic and accretive acquisitions to add drilling inventory and to manage production declines. Journey's long-term corporate strategy is to provide investors with a meaningful return profile through growth in net asset value and share price.

Journey's Properties

Journey operates in central and southern Alberta along a prolific resource fairway. Journey has a high working interest (approximately 85%) in its core properties, controls core area processing facilities, infrastructure egress and operatorship of its key oil pools, which pools have low current recovery factors. Journey estimates that there are over 300 oil pools along the fairway with drilling costs between approximately \$1.5 to \$3 million per well (including drilling, well completion, associated equipment and connecting to infrastructure costs). See "*Statement of Reserves Data – Disclosure of Reserves Data – Other Oil and Natural Gas Information – Principal Oil and Natural Gas Properties*".

In 2018 Journey expanded its Alberta footprint by accumulating over 100 sections of prospective East Duvernay shale lands. As of today this undeveloped land base has expanded to over 165 sections. These lands are under development via a joint venture agreement with an experienced private oil and gas explorer who has a proven track record.

Specialized Skill and Knowledge

Journey employs individuals with various professional skills in the course of pursuing its business plan. In addition, Journey has available to it various specialized consultants to assist it in areas where it does not need full time employees. These professional skills include, but are not limited to, geology, geophysics, engineering, finance and business development. Drawing on significant experience in the oil and natural gas business, Journey believes its management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company, including: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; and an entrepreneurial spirit that allows Journey to effectively identify, evaluate and execute on value added initiatives.

Competitive Conditions

The oil and natural gas industry is very competitive. Journey believes that it has a strong competitive position in the areas in which it operates. See "*Statement of Reserves Data – Disclosure of Reserves Data – Other Oil and Natural Gas Information – Principal Oil and Natural Gas Properties*". Journey's business strategy is to acquire and then develop legacy oil pools containing greater than 10 MMbbls each in central and southern Alberta. Journey then applies current horizontal drilling and water flood technology to these pools with the objective of growing production from these pools in order to exploit significant operating efficiencies in each core area. More recently, Journey has accumulated a significant land position in the East shale Duvernay. While much of Journey's land was acquired in private deals, by comparison Crown land purchases in this area have been very competitive with prices reaching as high as \$2,500/ha.

Companies operating in the petroleum industry must manage risks, which are beyond the direct control of company personnel. Among these risks are those associated with exploration, environmental damage, commodity prices, foreign exchange rates and interest rates.

The oil and natural gas industry is intensely competitive and Journey is required to compete with a substantial number of other entities, which may have greater technical or financial resources. With the maturing nature of the Western Canadian Sedimentary Basin, the access to new prospects is becoming more and more competitive and complex.

Journey attempts to enhance its competitive position by operating in areas where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because they are familiar with the areas of operation. Management believes that Journey will be able to explore for and develop new production and reserves with the objective of increasing its cash flow and reserve base. See "*Risk Factors – Competition*".

Cycles

The Company's business is often driven by weather conditions and the health of the economy. Demand for oil and gas rises and falls with the strength of the economy as well as with the cold in the winters and the heat in the summers. This occurs both on a continental as well as a global level. A strong economy creates higher prices, which in turn

produces more capital that the Company can expend on its capital program. A weak economy has the opposite effect. Cold winters and hot summers produce extra demand for natural gas on a continental basis, which in turn increases natural gas prices. In addition, the exploration for and the development of oil and natural gas reserves is dependent on access to areas where drilling is to be conducted. Seasonal weather variation, including “freeze-up” and “break-up”, affect access in certain circumstances. See “*Risk Factors – Seasonality*”.

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Company. For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of Journey, see “*Risk Factors – Environmental*”.

Employees

As at December 31, 2018, Journey had 43 full-time employees located at its head office in Calgary and 10 full-time employees located in the field. In addition, Journey had 1 full-time and 4 part-time contractors in the Calgary head office and 40 contract operators in various field locations.

Environmental, Health and Safety Policies

The Company supports and promotes environmental protection and employee health and safety through the implementation and communication of the Company’s environmental management and employee occupational health and safety programs, policies and procedures. These programs, policies and procedures are designed to allow for employee participation and development for continuous improvement and to provide employees with job orientation, training, instruction and supervision to assist them in conducting their activities in an environmentally responsible and safe manner.

The Company develops emergency response teams and preparedness plans in conjunction with local authorities, emergency services and the communities in which it operates in order to effectively respond to an environmental incident should it arise. Environmental assessments are undertaken for new projects or when acquiring new properties or facilities in order to identify, assess and minimize environmental risks and operational exposures. The Company conducts audits of operations to confirm compliance with internal standards and to stimulate improvement in practices where needed.

The Company also faces environmental, health and safety risks in the normal course of its operations due to the handling and storage of hazardous substances. The Company’s environmental and occupational health and safety management systems are designed to manage such risks in the Company’s business and allow action to be taken to mitigate the extent of any environmental, health or safety impacts from such operations.

INDUSTRY CONDITIONS

Companies operating in the oil and natural gas industry are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government with respect to the pricing and taxation of oil and natural gas, including the governments of Canada and Alberta, all of which investors in the oil and gas industry should carefully consider. All current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments governments may enact in the future. The following comprises some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in western Canada.

Pricing and Marketing

Crude Oil

Producers of crude oil are entitled to negotiate sales contracts directly with crude oil purchasers. As a result, macroeconomic and microeconomic market forces determine the price of crude oil. Worldwide supply and demand factors are the primary determinant of crude oil prices; however, regional market and transportation issues also influence prices. The specific price depends, in part, on crude oil quality, prices of competing fuels, distance to market, availability of transportation, value of refined products, supply/demand balance and contractual terms of sale.

Natural Gas

Canada's natural gas market has been deregulated since 1985. Supply and demand determine the price of natural gas and price is calculated at the sale point, being the wellhead, the outlet of a gas processing plant, on a gas transmission system, at a storage facility, at the inlet to a utility system or at the point of receipt by the consumer. Accordingly, the price for natural gas is dependent upon such producer's own arrangements (whether long or short term contracts and the specific point of sale). As natural gas is also traded on trading platforms such as the Natural Gas Exchange, Intercontinental Exchange or the New York Mercantile Exchange in the United States, spot and future prices can also be influenced by supply and demand fundamentals on these platforms. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years, or for a term of two to 20 years (in quantities of not more than 30,000 m3 per day), must be made pursuant to an NEB order. Exporters are required to obtain an export license from the NEB for natural gas export contracts of a longer duration (to a maximum of 40 years), or that deal with terms of greater than two years and quantities of natural gas greater than 30,000 m3 per day.

Natural Gas Liquids

The pricing of condensates and other NGLs such as ethane, butane and propane sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. Such prices depend, in part, on the quality of the NGLs, price of competing chemical stock, distance to market, access to downstream transportation, length of contract term, supply/demand balance and other contractual terms.

The North American Free Trade Agreement and Other Trade Agreements

The North American Free Trade Agreement ("**NAFTA**") among the governments of Canada, the United States and Mexico came into force on January 1, 1994. Under the terms of NAFTA's Article 605, a proportionality clause prevents Canada from implementing policies that limit exports to the United States and Mexico, relative to the total supply produced in Canada. Canada remains free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of goods of Canada as compared to the proportion prevailing in the most recent 36 month period; (ii) impose an export price higher than the domestic price (subject to an exception with respect to certain measures which only restrict the volume of exports); and (iii) disrupt normal channels of supply. Further, all three signatory countries are prohibited from imposing a minimum or maximum price requirement on exports (where any other form of quantitative restriction is prohibited) and imports (except as permitted in the enforcement of countervailing and anti-dumping orders and undertakings). NAFTA also requires energy regulators to ensure the orderly and equitable implementation of any regulatory changes and to ensure that the application of such changes will cause minimal disruption to contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements.

On November 30, 2018, U.S. President Donald Trump, Prime Minister Trudeau, and outgoing Mexican President Enrique Peña Nieto signed an authorization for a new trade deal that will replace NAFTA, referred to as the United States-Mexico- Canada Agreement ("**USMCA**") However, NAFTA remains the North American trade agreement currently in force until the legislative bodies of the three signatory countries ratify the USMCA. Amid political

uncertainty in Canada, Mexico, and the United States it is unclear when the end of the NAFTA era will be. As the United States remains by far Canada's largest trade partner and the largest international market for the export of crude oil, natural gas and NGLs from Canada the implementation of the final ratified version of the USMCA could have an impact on Western Canada's crude oil and natural gas industry at large, including the Corporation's business.

Canada has also pursued a number of other international free trade agreements with other countries around the world. As a result, a number of free trade or similar agreements are in force between Canada and certain other countries while in other circumstances Canada has been unsuccessful in its efforts. Canada and the European Union recently agreed to the Comprehensive Economic and Trade Agreement ("**CETA**"), which provides for duty-free, quota-free market access for Canadian crude oil and natural gas products to the European Union. Although CETA remains subject to ratification by certain national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In addition,

Canada and ten other countries recently concluded discussions and agreed on the draft text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("**CPTPP**"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. On December 30, 2018 the CPTPP came into force among the first six countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. While it is uncertain what effect CETA, CPTPP or any other trade agreements will have on the crude oil and natural gas industry in Canada, the lack of available infrastructure for the offshore export of crude oil and natural gas may limit the ability of Canadian crude oil and natural gas producers to benefit from such trade agreements.

Transportation Constraints and Market Access

Producers negotiate with pipeline operators (or other transport providers) to transport their products to market on a firm or interruptible basis. Transportation availability is highly variable across different areas and regions. This variability can determine the nature of transportation commitments available, the number of potential customers that can be reached in a cost-effective manner and the price received. Due to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Under the Canadian constitution, interprovincial and international pipelines fall within the federal government's jurisdiction and require a regulatory review and approval by Cabinet. However, recent years have seen a perceived lack of policy and regulatory certainty at a federal level. Although the current federal government introduced Bill C-69 to amend the current federal approval processes, it is uncertain when the new legislation will be brought into force and whether any changes will be made in the interim. It is also uncertain whether any new approval process adopted by the federal government will result in a more efficient approval process. The lack of regulatory certainty is likely to have an influence on investment decisions for major projects. Even when projects are approved on a federal level, such projects often face further delays due to interference by provincial and municipal governments, as well as court challenges related to issues such as indigenous title, the government's duty to consult and accommodate indigenous peoples and the sufficiency of the relevant environmental review processes. Such political and legal opposition creates further uncertainty. In addition, export pipelines from Canada to the United States face additional uncertainty as such pipelines require approvals of several levels of government in the United States. In the face of this regulatory uncertainty, the Canadian crude oil and natural gas industry has experienced significant difficulty expanding the existing network of transportation infrastructure for crude oil, natural gas and NGLs, including pipelines, rail, trucks and marine transport. Improved access to global markets, especially the Midwest United States and export shipping terminals on the west coast of Canada, could help to alleviate the downward pressures affecting commodity prices. Several proposals have been announced to increase pipeline capacity out of Western Canada to reach Eastern Canada, the United States and international markets via export terminals. While certain projects are proceeding, the regulatory approval process and other economic and socio-political factors related to transportation and export infrastructure has led to the delay, suspension or cancellation of many pipeline projects or their cancellation altogether. With respect to the current state of the transportation and exportation of crude oil from Western Canada to domestic and international markets, the Enbridge Line 3 Expansion from Hardisty, Alberta, to Superior, Wisconsin, has an expected inservice date in the latter half of 2019.

The proposed Trans Mountain Pipeline expansion received Cabinet approval in November 2016. Following a period of sustained political opposition in British Columbia, the federal government entered into an agreement with Kinder

Morgan Cochin ULC in May 2018 to purchase the shares and units of the entities that own and operate the Trans Mountain Pipeline system. The shareholders subsequently voted to approve the transaction in August 2018. However, the Trans Mountain Pipeline expansion experienced a setback when, in August 2018, the Federal Court of Appeal identified deficiencies in the NEB's environmental assessment and the Government's indigenous consultations. The Court quashed the accompanying certificate of public convenience and necessity and directed Cabinet to correct these deficiencies. Following the Court's direction, Cabinet ordered the NEB to reconsider its recommendation in light of the Federal Court of Appeal decision, including the environmental effects of project-related marine shipping. On February 22, 2019, the NEB delivered an updated report to Cabinet, recommending that Cabinet approve the pipeline expansion, subject to 156 conditions and 16 new recommendations, notwithstanding the fact that project-related marine shipping may have a significant adverse effect on the marine environment. Cabinet has three months to consider the NEB's report and, subject to a new round of indigenous consultation, decide whether it will approve or deny the pipeline expansion.

While it was expected that construction on the Keystone XL Pipeline would commence in the first half of 2019, preconstruction work was halted in late 2018 when a U.S. Federal Court Judge determined the underlying environmental review was inadequate. This decision was appealed and the NEB conducted additional consultations with affected parties. The NEB issued a new report on February 22, 2019 recommending that the Governor in Council approve the project subject to new conditions being met for the expansion to continue.

Finally, Bill C-48 continues to advance through the federal legislative process. If enacted, Bill C-48 will impose a moratorium on tanker traffic transporting certain crude oil and NGLs products from British Columbia's north coast. See "Industry Conditions – Regulatory Authorities and Environmental Regulation – Federal".

The Government of Alberta has also sought to alleviate these transportation constraints by pursuing different transportation modalities and creating new markets. On November 28, 2018, the Government of Alberta announced that Alberta had started negotiations for investment in new rail capacity to address the historically high price differential. On February 19, 2019, the Government of Alberta announced that it would lease 4,400 rail cars capable of transporting 120,000 bbls/day of crude oil out of province. The Alberta Petroleum Marketing Commission will purchase crude oil from producers and market it, using the expanded rail capacity to transport the marketed oil to purchasers. The Government expects the first railcars to be in service by July 2019 and believes this strategy will: (i) narrow the crude oil price gap by up to \$4 per barrel, and (ii) provide junior producers with a more affordable option to move their crude oil to market.

On December 11, 2018, the Government of Alberta announced a Request for Expressions of Interest to create new refining capacity or expand existing capacity. Little is known about this strategy, but the deadline for interested parties to submit Expressions of Interest was February 8, 2019, and an internal governmental committee is currently reviewing such submissions. Natural gas prices in Alberta and British Columbia have also been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. While companies that secure firm access to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing, other companies may be forced to accept spot pricing in Western Canada for their natural gas, which in the last several years has generally been depressed (at times producers have received negative pricing for their natural gas production). Required repairs or upgrades to existing pipeline systems have also led to further reduced capacity and apportionment of firm access, which in Western Canada may be further exacerbated by natural gas storage limitations. Additionally, while a number of liquefied natural gas export plants have been proposed for the west coast of Canada, government decision-making, regulatory uncertainty, opposition from environmental and indigenous groups, and changing market conditions, have resulted in the cancellation or delay of many of these projects. In October 2018, the proponents of the LNG Canada liquefied natural gas export terminal announced a positive final investment decision to proceed with the project.

Royalties and Incentives

General

Each province has legislation and regulations that govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of crude oil, natural gas and NGLs production. Royalties payable on production from lands where the Crown does not hold the mineral rights are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to

certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum substance produced.

Occasionally the governments of Western Canada's provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are often introduced when commodity prices are low to encourage exploration and development activity. In addition, such programs may be introduced to encourage producers to undertake initiatives using new technologies that may enhance or improve recovery of crude oil, natural gas and NGLs.

In addition, the federal government may from time to time provide incentives to the oil and gas industry. In November of 2018, the federal government announced its plans to implement an accelerated investment incentive, which will provide oil and gas businesses with eligible Canadian development expenses and Canadian oil and gas property expenses with a first year deduction of one and a half times the deduction that is otherwise available. The federal government also announced in late 2018 that it will make \$1.6 billion available to the oil and natural gas industry in light of worsening commodity price differentials.

The aid package, however, is mostly in the form of loans and is earmarked for crude oil and natural gas projects related to economic diversification as well as direct funding for clean growth crude oil and natural gas projects.

Producers and working interest owners of crude oil and natural gas rights may also carve out additional royalties or royaltylike interests through non-public transactions, which include the creation of instruments such as overriding royalties, net profits interests and net carried interests.

Alberta

In Alberta, the provincial government royalty rates apply to Crown-owned mineral rights. In 2016, Alberta adopted a modernized Alberta royalty framework (the "**Modernized Framework**") that applies to all wells drilled after December 31, 2016. The previous royalty framework (the "**Old Framework**") will continue to apply to wells drilled prior to January 1, 2017 for a period of ten years ending on December 31, 2026. After the expiry of this ten-year period, these older wells will become subject to the Modernized Framework.

The Modernized Framework applies to all hydrocarbons other than oil sands which will remain subject to their existing royalty regime. Royalties on production from non-oil sands wells under the Modernized Framework are determined on a "revenue minus costs" basis with the cost component based on a Drilling and Completion Cost Allowance formula for each well, depending on its vertical depth and/or horizontal length. The formula is based on the industry's average drilling and completion costs as determined by the Alberta Energy Regulator (the "**AER**") on an annual basis. Producers pay a flat royalty rate of 5% of gross revenue from each well that is subject to the Modernized Framework until the well reaches payout. Payout for a well is the point at which cumulative gross revenues from the well equals the Drilling and Completion Cost Allowance for the well set by the AER. After payout, producers pay an increased post-payout royalty on

revenues of between 5% and 40% for crude oil and pentanes and 5% and 36% for methane, ethane, propane and butane, all determined by reference to the then current commodity prices of the various hydrocarbons. Similar to the Old Framework, the post-payout royalty rate under the Modernized Framework varies with commodity prices. Once production in a mature well drops below a threshold level where the rate of production is too low to sustain the full royalty burden, its royalty rate is adjusted downward towards a minimum of 5% as the mature well's production declines. As the Modernized Framework uses deemed drilling and completion costs in calculating the royalty and not the actual drilling and completion costs incurred by a producer, low cost producers benefit if their well costs are lower than the Drilling and Completion Cost Allowance and, accordingly, they continue to pay the lower 5% royalty rate for a period of time after their wells achieve actual payout. The Old Framework is applicable to all conventional crude oil and natural gas wells drilled prior to January 1, 2017 and bitumen production. Subject to certain available incentives, effective from the January 2011 production month, royalty rates for conventional crude oil production under the Old Framework range from a base rate of 0% to a cap of 40%. Subject to certain available incentives, effective from the January 2011 production month, royalty rates for natural gas production under the Old Framework

range from a base rate of 5% to a cap of 36%. The Old Framework also includes a natural gas royalty formula which provides for a reduction based on the measured depth of the well below 2,000 metres deep, as well as the acid gas content of the produced gas. Under the Old Framework, the royalty rate applicable to NGLs is a flat rate of 40% for pentanes and 30% for butanes and propane. Currently, producers of crude oil and natural gas from Crown lands in Alberta are required to pay annual rental payments, at a rate of \$3.50 per hectare, and make monthly royalty payments in respect of crude oil and natural gas produced.

The Government of Alberta has from time to time implemented drilling credits, incentives or transitional royalty programs to encourage crude oil and natural gas development and new drilling. In addition, the Government of Alberta has implemented certain initiatives intended to accelerate technological development and facilitate the development of unconventional resources, including coalbed methane wells, shale gas wells and horizontal crude oil and natural gas wells. Freehold mineral taxes are levied for production from freehold mineral lands on an annual basis on calendar year production.

Freehold mineral taxes are calculated using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. On average, in Alberta the tax levied is 4% of revenues reported from freehold mineral title properties. The freehold mineral taxes would be in addition to any royalty or other payment paid to the owner of such freehold mineral rights, which are established through private negotiation.

Land Tenure

The respective provincial governments (i.e. the Crown), predominantly own the mineral rights to crude oil and natural gas located in western Canada, with the exception of Manitoba (which only owns 20% of the mineral rights). Provincial governments grant rights to explore for and produce crude oil and natural gas pursuant to leases, licences and permits for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. The provincial governments in western Canada's provinces conduct regular land sales where crude oil and natural gas companies bid for leases to explore for and produce crude oil and natural gas pursuant to mineral rights owned by the respective provincial governments. The leases generally have a fixed term; however, a lease may generally be continued after the initial term where certain minimum thresholds of production have been reached, all lease rental payments have been paid on time and other conditions are satisfied. To develop crude oil and natural gas resources, it is necessary for the mineral estate owner to have access to the surface lands as well. Each province has developed its own process for obtaining surface access to conduct operations that operators must follow throughout the lifespan of a well, including notification requirements and providing compensation for affected persons for lost land use and surface damage. Alberta has implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or licence. Additionally, Alberta has shallow rights reversion for shallow, non-productive geological formations for new leases and licences. In addition to Crown ownership of the rights to crude oil and natural gas, private ownership of crude oil and natural gas (i.e. freehold mineral lands) also exists in the province of Alberta. According to Alberta Energy, approximately 19% of mineral rights in the Province of Alberta are owned by private freehold owners and other non-Crown entities. Rights to explore for and produce such crude oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and crude oil and natural gas explorers and producers. An additional category of mineral rights ownership includes ownership by the Canadian federal government of some legacy mineral lands and within indigenous reservations designated under the *Indian Act* (Canada). Indian Oil and Gas Canada, which is a federal government agency, manages subsurface and surface leases, in consultation with the applicable indigenous peoples, for exploration and production of crude oil and natural gas on indigenous reservations.

Production and Operation Regulations

The oil and natural gas industry in Canada is highly regulated and subject to significant control by provincial regulators. Regulatory approval is required for, among other things, the drilling of oil and natural gas wells, construction and operation of facilities, the storage, injection and disposal of substances and the abandonment and reclamation of well sites. In order to conduct oil and gas operations and remain in good standing with the applicable provincial regulator, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance

with such legislation, regulations, orders, directives or other directions can be costly and a breach of the same may result in fines or other sanctions.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability and the imposition of material fines and penalties. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions, may impose further requirements on operators and other companies in the oil and natural gas industry.

Federal

Canadian environmental regulation is the responsibility of both the federal and provincial governments. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law will prevail. However, such conflicts are uncommon. The federal government has primary jurisdiction over federal works, undertakings and federally regulated industries such as railways, aviation and interprovincial transport including interprovincial pipelines. On June 20, 2016, the federal government launched a review of current environmental and regulatory processes. On February 8, 2018, the Government of Canada introduced draft legislation to overhaul the existing environmental assessment process and replace the NEB with the CER. Pursuant to the draft legislation, the Impact Assessment Agency of Canada (the "**Agency**") would replace the Canadian Environmental Assessment Agency. It appears that additional categories of projects may be included within the new impact assessment process, such as large-scale wind power facilities and in-situ oilsands facilities. The revamped approval process for applicable major developments will have specific legislated timelines at each stage of the formal impact assessment process. The Agency's process would focus on: (i) early engagement by proponents to engage the Agency and all stakeholders such as the public and indigenous groups prior to the formal impact assessment process; (ii) potentially increased public participation where the project undergoes a panel review; (iii) providing analysis of the potential impacts and effects of a project without making recommendations, to support a public-interest approach to decision-making, with cost/benefit determinations and approvals made by the Minister of Environment and Climate Change or the Cabinet; (iv) analyzing further specified factors for projects such as alternatives to the project and social and indigenous issues in addition to health, environmental and economic impacts; and (v) overseeing an expanded follow-up, monitoring and enforcement process with increased involvement of indigenous peoples and communities. As to the proposed CER, many of its activities would be similar to the NEB, albeit with a different structure and the notable exception that the CER would no longer have primary responsibility in the consideration of the new major projects, instead focusing on the lifecycle regulation (e.g. overseeing construction, tolls and tariffs, operations and eventual winding down) of approved projects, while providing for expanded participation by communities and indigenous peoples. It is unclear when the new regulatory scheme will come into force or whether any amendments will be made prior to coming into force. Until then, the federal government's interim principles released on January 27, 2016, will continue to guide decision-making authorities for projects currently undergoing environmental assessment. The eventual effects of the proposed regulatory scheme on proponents of major projects remains unclear. On May 12, 2017, the federal government introduced the *Oil Tanker Moratorium Act* in Parliament. This legislation is aimed at providing coastal protection in northern British Columbia by prohibiting crude oil tankers carrying more than 12,500 metric tonnes of crude oil or persistent crude oil products from stopping, loading, or unloading crude oil in that area. Parliament is still considering the bill, which passed second reading on October 4, 2017. If implemented, the legislation may prevent the building of pipelines to, and export terminals located on, the portion of the British Columbia coast subject to the moratorium and, as a result, negatively affect the ability of producers to access global markets.

Alberta

The AER is the single regulator responsible for all energy resource development in Alberta. It derives its authority from the Responsible Energy Development Act and a number of related Acts including the Oil and Gas Conservation Act (the "**OGCA**"), the Oil Sands Conservation Act, the Pipeline Act, and the Environmental Protection and Enhancement Act. The AER is responsible for ensuring the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources including allocating and conserving water resources, managing public lands, and protecting the environment. The

AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure. The objective behind a single regulator is an enhanced regulatory regime that is intended to be efficient, attractive to business and investors and effective in supporting public safety, environmental management and resource conservation while respecting the rights of landowners.

The Government of Alberta relies on regional planning to accomplish its responsible resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities by incorporating the management of all resources, including energy, minerals, land, air, water and biodiversity. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the Policy Management Office, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta's land-use policy for surface land in Alberta sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land-use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans. As a result, several regional plans have been implemented and others are in the process of being implemented. These regional plans may affect further development and operations in such regions.

Liability Management Rating Programs

Alberta

The AER administers the licensee Liability Management Rating Program (the "**AB LMR Program**"). The AB LMR Program is a liability management program governing most conventional upstream crude oil and natural gas wells, facilities and pipelines. It consists of three distinct programs: the Licensee Liability Rating Program (the "**AB LLR Program**"), the Oilfield Waste Liability Program (the "**AB OWL Program**") and the Large Facility Liability Management Program (the "**AB LFP**"). At its core, the AER uses the AB LMR Program to aid in determining the ability of licensees to manage the abandonment and reclamation obligations associated with the licensee's assets. If a licensee's deemed liabilities in the AB LLR Program, the AB OWL Program and/or the AB LFP exceed its deemed assets in those programs, the AB LMR Program requires the licensee to provide the AER with a security deposit and may restrict the licensee's ability to transfer licenses. This ratio of a licensee's assets to liabilities across the three programs is referred to as the licensee's liability management rating ("**LMR**"). The AER assesses the LMR of all licensees on a monthly basis and posts the ratings on the AER's public website. Where the AER determines that a security deposit is required, the failure to post any required amounts may result in the initiation of enforcement action by the AER.

Complementing the AB LMR Program, Alberta's OGCA established an orphan fund (the "**Orphan Fund**") to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program and the AB OWL Program if a licensee or working interest participant ("**WIP**") becomes insolvent or is unable to meet its obligations. Licensees in the AB LLR Program and AB OWL Program fund the Orphan Fund through a levy administered by the AER. A separate orphan levy applies to persons holding licences subject to the AB LFP. Collectively, these programs are designed to minimize the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines.

In Redwater Energy Corporation (Re) ("**Redwater**"), the Court of Queen's Bench of Alberta found that there was an operational conflict between the abandonment and reclamation provisions of the provincial OGCA, including the AB LLR Program, and the federal *Bankruptcy and Insolvency Act* (the "**BIA**"). This ruling meant that receivers and trustees of insolvent entities have the right to renounce assets within insolvency proceedings, and was affirmed by a majority of the Alberta Court of Appeal. On January 31, 2019, the Supreme Court of Canada overturned the lower courts' decisions, holding that there is no operational conflict between the abandonment and reclamation provisions contained in the provincial OGCA, the liability management regime administered by the AER and the federal bankruptcy and insolvency regime. As a result, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets of a bankrupt licensee that have reached the end of their productive lives and represent a liability and deal with the company's valuable assets for the benefit of the company's creditors, without first satisfying abandonment and reclamation obligations.

In response to the lower courts' decisions in Redwater, the AER issued several bulletins and interim rule changes to govern the AER's administration of its licensing and liability management programs pending a final decision from the Supreme Court of Canada. The AER amended its licensing and liability management programs pending a final decision from the Supreme Court of Canada. The AER amended its *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*, which deals with licensee eligibility to operate wells and facilities, to require the provision of extensive corporate governance and shareholder information, including whether any director and officer was a director or officer of an energy company that has been subject to insolvency proceedings in the last five years. All transfers of well, facility and pipeline licences in the province are subject to AER approval. As a condition of transferring existing AER licences, approvals and permits, all transfers are now assessed on a non-routine basis and the AER now requires all transferees to demonstrate that they have an LMR of 2.0 or higher immediately following the transfer, or to otherwise prove to the satisfaction of the AER that it can meet its abandonment and reclamation obligations. The AER may make further rule changes at any time. While the Supreme Court of Canada's Redwater decision alleviates some of the concerns that the AER's rule changes were intended to address, it is unclear how or if the AER will respond.

The AER has also implemented the Inactive Well Compliance Program (the "**IWCP**") to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under *Directive 013: Suspension Requirements for Wells* ("**Directive 013**"). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within five years. As of April 1, 2015, each licensee is required to bring 20% of its inactive wells into compliance every year, either by reactivating or by suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment. The list of current wells subject to the IWCP is available on the AER's Digital Data Submission system. The AER has announced that from April 1, 2015 to April 1, 2016, the number of noncompliant wells subject to the IWCP fell from 25,792 to 17,470, with 76% of licensees operating in the province having met their annual quota. From April 1, 2016 to April 1, 2017, this number fell from 17,470 to 12,375 noncompliant wells, with 81% of licensees operating in the province having met their annual quota. The IWCP completed its third year on March 31, 2018 but the AER has not yet released its third annual report.

Climate Change Regulation

Climate change regulation at both the federal and provincial level has the potential to significantly affect the regulation of the crude oil and natural gas industry in Canada. In general, there is some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as it is currently not possible to predict the extent of future requirements. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Corporation's operations and cash flow.

Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC") since 1992. Since its inception, the UNFCCC has instigated numerous policy experiments with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures

from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. As of January 1, 2019, 184 of the 197 parties to the convention have ratified the Paris Agreement. In December 2018, the United Nations annual Conference of the Parties took place in Katowice, Poland. The Conference concluded with the attendees reiterating their commitment to the targets set out in the Paris Agreement and establishing a transparency framework related to, among other matters, emissions and climate finance reporting. Following the Paris Agreement and its ratification in Canada, the Government of Canada pledged to cut its emissions by 30% from 2005 levels by 2030. Further, on December 9, 2016, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change (the "Framework"). The Framework provided for a carbon-pricing strategy, with a

carbon tax starting at \$10/tonne, increasing annually until it reaches \$50/tonne in 2022. A draft legislative proposal for the federal carbon pricing system was released on January 15, 2018. This system would apply in provinces and territories that request it and in those that do not have a carbon pricing system in place that meets the federal standards in 2018. Seven provinces and territories have introduced carbon-pricing systems in place that would meet federal requirements (Alberta, British Columbia, Quebec, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, and the Northwest Territories). The federal carbon-pricing regime will take effect in Saskatchewan, Manitoba, Ontario and New Brunswick in April 2019; it will take effect in the Yukon, and Nunavut in July 2019. Saskatchewan and Ontario have challenged the constitutionality of the federal government's pricing regime; New Brunswick has intervened in Saskatchewan's constitutional challenge. In October 2018, the federal government announced an alternative pricing scheme for large electricity generators designed to incentivize a reduction in emissions intensity, rather than encouraging a reduction in generation rates. On April 26, 2018, the federal government passed the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) (the "Federal Methane Regulations"). The Federal Methane

Regulations seek to reduce emissions of methane from the crude oil and natural gas sector, but will not come into force until January 1, 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and intentional venting of methane, as well as ensuring that crude oil and natural gas operations use low emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and gas facilities are permitted to vent. These facilities would need to capture the gas and either re-use it, re-inject it, send it to a sales pipeline, or route it to a flare. In addition, in provinces other than Alberta and British Columbia (which already regulate such activities), well completions by hydraulic fracturing would be required to conserve or destroy gas instead of venting. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.

Alberta

On November 22, 2015, the Government of Alberta introduced its Climate Leadership Plan (the "CLP"). The CLP has four areas of focus: implementing a carbon price on GHG emissions, phasing out coal-generated electricity and developing renewable energy, legislating an oil sands emission limit, and introducing a new methane emissions reduction plan. The Government of Alberta has since introduced new legislation to give effect to these initiatives. The Climate Leadership Act came into force on January 1, 2017 and enabled a carbon levy that increased from \$20 to \$30 per tonne on January 1, 2018. While the levy is anticipated to increase again in 2021 in line with the federal legislation, the Government of Alberta has announced it will not proceed with the scheduled 2021 increase unless the expansion to the Trans Mountain Pipeline proceeds. On December 14, 2016, the Oil Sands Emissions Limit Act came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, excluding some attributable to upgraders, the electric energy portion of cogeneration and other prescribed emissions. The Carbon Competitiveness Incentives Regulation (the "CCIR"), which replaces the Specified Gas Emitters Regulation, came into effect on January 1, 2018. Unlike the previous regulation, which set emission reduction requirements, the CCIR imposes an output-based benchmark on competitors in the same emitting industry. The aim is to reduce annual GHG emissions by 20 megatonnes by 2020 and 50 megatonnes by 2030, and targets facilities that emit more than 100,000 tonnes of GHGs per year and mandates quarterly and final reporting requirements. The CCIR compliance obligations will be reduced by 50% and 25% for 2018 and 2019, respectively, with no reduction for 2020 onward. In addition to the industry-specific benchmarks, each benchmark will decrease annually at a rate of 1%, beginning in 2020. The Government of Alberta intends for this strategy to align with the federal Framework. The Government of Alberta also signaled its intention through its CLP to implement regulations that would lower annual methane emissions by 45% by 2025. Regulations are planned to take effect in 2020 to ensure the 2025 target is met. Alberta was also the first

jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed \$1.24 billion over 15 years to fund two large-scale carbon capture and storage projects that will begin commercializing the technology on the scale needed to be successful. On December 2, 2010, the Government of Alberta passed the Carbon Capture and Storage Statutes Amendment Act, 2010. It deemed the pore space underlying all land in Alberta to be, and to have always been the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

Accountability and Transparency

In 2015, the federal government's ESTMA came into effect, which imposed mandatory reporting requirements on certain entities engaged in the "commercial development of oil, gas or minerals", including exploration, extraction and holding permits. All companies subject to ESTMA must report payments over \$100,000 made to any level of a Canadian or foreign government (including indigenous groups), including royalty payments, taxes (other than consumption taxes and personal income taxes), fees, production entitlements, bonuses, dividends (other than ordinary dividends paid to shareholders), infrastructure improvement payments and other prescribed categories of payments.

RISK FACTORS

Following is a list of risks that the Company faces in its normal course of business. The risks and uncertainties set out below are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and cause the price of the Common Shares to decline. If any of the following risks actually occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Prices, Markets and Marketing

Numerous factors beyond Journey's control do, and will continue to affect the marketability and price of oil and natural gas acquired or discovered by it. Journey's ability to market its oil and natural gas may depend upon the ability to acquire space on pipelines that deliver natural gas to commercial markets. Deliverability uncertainties related to the distance of Journey's reserves to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the Company's control. These factors include economic conditions in the United States, Canada and Europe, the actions of OPEC, governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply of oil and natural gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets and the ability to access such markets. Oil prices are expected to remain volatile and may decline in the near future as a result of global excess supply due to the increased growth of shale production in the United States, the decline in global demand for exported crude commodities, and OPEC's recent decisions pertaining to the oil production of OPEC member countries, among other factors. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices. In addition, lower commodity prices caused the Company to spend minimal capital in 2018. The capital that was spent during the year was concentrated on strategic assets that contribute to the Company's cost-reduction strategies.

North American crude oil price differentials are expected to continue to be volatile in 2019. This will have an impact on crude oil prices for Canadian producers. Although opportunities to move oil by rail continue to grow and will provide new outlets for access to North American refineries otherwise not reachable via existing pipeline infrastructure, supply in excess of current pipeline and refining capacity is expected to continue to exist. Material structural changes are required to reduce these bottlenecks and the resulting steep price discounts. A variety of new pipeline expansion projects to provide increased access to eastern Canadian and Gulf Coast refineries, as well as new off-shore markets, have been announced and are in various stages of review and approval. There can be no assurance that such regulatory approvals will be secured on a timely basis or at all.

All these factors could result in a material decrease in Journey's expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of Journey's reserves, borrowing capacity, revenues, profitability and funds flow and may have a material adverse effect on its business, financial condition, results of operations and prospects.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions, and sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, lower commodity prices restrict the Corporation's cash flow resulting in less funds from operations being available to fund the Corporation's capital expenditure budget. Consequently, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year-over-year basis. See "*Risk Factors – Reserves Estimates*". Any decrease in value of the Corporation's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Corporation's indebtedness, could result in the Corporation having to repay a portion of its indebtedness. See "*Risk Factors – Credit Facility Arrangements*".

In addition to possibly resulting in a decrease in the value of the Corporation's economically recoverable reserves, lower commodity prices may also result in a decrease in the value of the Corporation's infrastructure and facilities, all of which could also have the effect of requiring a write down of the carrying value of the Corporation's oil and natural gas assets on its balance sheet and the recognition of an impairment charge in its income statement.

General Weakness in the Oil and Gas Industry

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by OPEC, slowing growth in emerging economies, market volatility and disruptions in Asia, sovereign debt levels and political upheavals in various countries have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by the recent changes in government at a federal level and, in the case of Alberta, at the provincial level, and the resultant uncertainty surrounding regulatory, tax, royalty changes and environmental regulation that have been announced or may be implemented by the new governments. In addition, the inability to get the necessary approvals to build pipelines and other facilities to provide better access to markets for the oil and gas industry in western Canada has led to additional downward price pressure on oil and gas produced in western Canada and uncertainty and reduced confidence in the oil and gas industry in western Canada. Lower commodity prices may also affect the volume and value of the Company's reserves, rendering certain reserves uneconomic. In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, the Company's funds flow resulting in a reduced capital expenditure budget. Consequently, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Any decrease in value of the Company's reserves may reduce the borrowing base under the Credit Agreement, which, depending on the level of the Company's indebtedness, could result in the Company having to repay a portion of its indebtedness. Given the current market conditions and the lack of confidence in the Canadian oil and natural gas industry, the Corporation may have difficulty

raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms. See "*Risk Factors – Additional Funding Requirements*".

Political Uncertainty

The Corporation's business may be adversely affected by recent political and social events and decisions made in the United States, Europe and elsewhere.

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. Since the 2016 U.S. presidential election, the American administration has begun taking steps to implement certain of its promises made during the campaign. The administration has withdrawn the United States from the Trans-Pacific Partnership and Congress has passed sweeping tax reform, which, among other things, significantly reduces U.S. corporate tax rates. This may affect competitiveness of other jurisdictions, including Canada. In addition, the North American Free Trade Agreement has been renegotiated and on November 30, 2018, Canada, the U.S. and Mexico signed the Canada–United States–Mexico Agreement, which will replace NAFTA once ratified by the three signatory countries. See "*Industry Conditions - The North American Free Trade Agreement and Other Trade Agreements*". The U.S. administration has also taken action with respect to reduction of regulation, which may also affect relative competitiveness of other jurisdictions. It is unclear exactly what other actions the U.S. administration will implement, and if implemented, how these actions may impact Canada and in particular the oil and natural gas industry. Any actions taken by the current U.S. administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and natural gas companies, including the Corporation.

In addition to the political disruption in the United States, the citizens of the United Kingdom voted to withdraw from the European Union and the Government of the United Kingdom has taken steps to implement such withdrawal. The terms of the United Kingdom's exit from the European Union and whether it will occur at all remains to be determined. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, it could have an adverse effect on the Corporation's ability to market its products internationally, increase costs for goods and services required for the Corporation's operations, reduce access to skilled labour and negatively impact the Corporation's business, operations, financial conditions and the market value of the Common Shares.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy such as the potential impact of the recent change of government in British Columbia and announcements and actions by the government of British Columbia that may impact the completion of the Trans-Mountain Pipeline project, LNG facilities and other infrastructure projects.

Gathering and Processing Facilities and Pipeline Systems

The Corporation delivers its products through gathering and processing facilities and pipeline systems and, in certain circumstances, by rail. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems and railway lines. Notwithstanding the Government of Alberta's plans to purchase 7,000 rail cars and the implementation of production curtailment in Alberta, the ongoing lack of availability of capacity in any of the gathering and processing facilities, pipeline systems and railway lines could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production. The lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to transport produced oil and gas to market. See "*Industry Conditions – Transportation Constraints and Market Access*". In addition, the pro-rating of capacity on inter-provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the corporation's production, operations and financial results. As a result, producers are increasingly turning to rail as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other

conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm the Corporation's business and, in turn, the Corporation's financial condition, operations and cash flows. Announcements and actions taken by the federal government and the provincial governments of British Columbia, Alberta and Quebec relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward. In addition, while the federal government has introduced Bill C-69 to overhaul the existing environmental assessment process and replace the NEB with a new regulatory agency, the impact of the new proposed regulatory scheme on proponents and the timing of receipt of approvals of major projects remains unclear.

A portion of the Corporation's production may, from time to time, be processed through facilities owned by third parties over which the Corporation does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on the Corporation's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

The interruption of firm pipeline transportation has and may continue to affect the oil and natural gas industry and limit the ability to fully produce and market oil and natural gas production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems may also affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators may also affect the Corporation's production, operations and financial results. The Corporation's production could be adversely impacted by both firm and interruptible transportation service curtailments on TransCanada's NGTL and Canadian Mainline systems.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Journey's long-term commercial success depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, Journey's existing reserves, and the production from them, will decline over time as it produces from such reserves. A future increase in Journey's reserves will depend on both the Company's ability to explore and develop its existing properties and on its ability to select and acquire suitable producing properties or prospects. There is no assurance that Journey will be able to continue to find satisfactory properties to acquire or participate in. Moreover, Journey's management may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participations uneconomic. There is also no assurance that Journey will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, and shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, the Company may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas

could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on Journey's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount the Company considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Delays in Business Operations

Delays in business operations could adversely affect dividends to Shareholders and the market price of the Common Shares. In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of Journey's properties and the delays of those operators in remitting payment to Journey, payments between any of these parties may also be delayed by:

- restrictions imposed by lenders;
- delays in the sale or delivery of products;
- delays in the connection of wells to a gathering system;
- restrictions due to limited pipeline capacity;
- blowouts or other accidents;
- accounting delays;
- adjustments for prior periods;
- recovery by the operator of expenses incurred in the operation of the properties; or
- the establishment by the operator of reserves for these expenses.

Any of these delays could expose Journey to additional third party credit risks.

Regulation of Hydraulic Fracturing

Journey uses hydraulic fracturing in its operations. Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to fracture such formations and thereby stimulate oil and natural gas production. Hydraulic fracturing is used to produce commercial quantities of oil and natural gas from reservoirs. Negative perception of hydraulic fracturing may place pressure on governments in jurisdictions where Journey operates to implement additional regulatory requirements or limitations on utilization of hydraulic fracturing, which in turn could restrict Journey's operations and increase its costs. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or government claims, and could increase the Company's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reservoirs.

Due to seismic activity reported in the Fox Creek area of Alberta, the AER announced in February 2015, seismic monitoring and reporting requirements for hydraulic fracturing operators in the Duvernay zone in the Fox Creek area. These requirements include, among others, an assessment of the potential for seismicity prior to conducting operations, the implementation of a response plan to address potential seismic events, and the suspension of operations if a seismic event above a particular threshold occurs. These requirements will remain in effect as long as the AER deems them necessary. Further, the AER continues to monitor seismic activity around the province and may extend these requirements to other areas of the province if necessary.

Reliance on Groundwater

Journey relies on groundwater, which is obtained under government licenses, to provide the substantial quantities of water required for certain of its operations. There can be no assurance that the license to withdraw water will not be rescinded or that additional conditions will not be added to these licenses. Further, there can be no assurance that the Company will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. New projects, or the expansion of existing projects, may be dependent on securing licenses for additional water withdrawal, and there can be no assurance that these licenses will be granted on terms favourable to the Company, or at all, or that such additional water will in fact be available to divert under such licenses.

Project Risks

Journey manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Journey's ability to execute projects and market oil and natural gas depends upon numerous factors beyond its control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or the Company's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that it produces effectively.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market, including governmental regulatory actions or adverse changes in general market conditions or economic trends. In certain jurisdictions, institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors, as well as the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Impact of Future Financings on Market Price

In order to finance future operations or acquisition opportunities, the Corporation may raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares. The Corporation cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive to Shareholders.

Regulatory

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (exploration, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase Journey's costs, either of which may have a material adverse effect on Journey's business, financial condition, results of operations and prospects.

In order to conduct oil and natural gas operations, Journey requires licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake. In addition to regulatory requirements pertaining to the production, marketing and sale of oil and natural gas mentioned above, Journey's business and financial condition could be influenced by federal legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada).

Further, the ongoing third party challenges to regulatory decisions or orders has reduced the efficiency of the regulatory regime, as the implementation of the decisions and orders has been delayed resulting in uncertainty and interruption to business of the oil and natural gas industry. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact the Corporation's operations, which may affect the Corporation's profitability. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Climate Change Regulations*". Also, in response to widening pricing differentials, the Government of Alberta implemented production curtailment. See "*Industry Conditions – Curtailment*" and "*Risk Factors – Liability Management*". In order to conduct oil and natural gas operations, the Corporation will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that the Corporation will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect the Corporation's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Liability Management Rating Program*".

Provincial Liability Management Programs

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its obligation. These programs generally involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Changes to the required ratio of the Company's deemed assets to deemed liabilities or

other changes to the requirements of liability management programs may result in significant increases to the Company's compliance requirement. In addition, the liability management system may prevent or interfere with the Company's ability to acquire or dispose of assets as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets.

Substantial Capital Requirements

Journey anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, Journey's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- its credit rating (if applicable);
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and its securities, in particular.

Further, if Journey's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. 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. Journey's inability to access sufficient capital for its operations could have a material adverse effect on its business, financial condition, results of operations and prospects.

Credit Facility Arrangements

The Company currently has a Credit Facility and the amount authorized thereunder is dependent on the borrowing base as determined by its lenders. The Company is required to comply with covenants under its Credit Facility, which may affect the availability, or price, of additional funding and, in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. A failure to comply with covenants could result in default under the Credit Facility, which could result in the Company being required to repay amounts owing thereunder. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Credit Facility may impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchasing or making other distributions with respect to the Company's securities, incurring additional indebtedness, providing guarantees, the assumption of loans, making capital expenditures, entering into amalgamations, mergers, take-over bids or disposing of assets, among others.

The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors to periodically determine the Company's borrowing base. Commodity prices continue to be depressed and have fallen dramatically since 2014. Prices remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production, increasing production by U.S. shale producers and Alberta oil and natural gas egress constraints. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds available to the Company under the Credit Facility. This could result in the requirement to repay a portion, or all, of the Company's indebtedness.

The impact of the Supreme Court of Canada's decision in the Redwater case on lending practices in the crude oil and natural gas sector and actions taken by secured creditors and receivers/trustees of insolvent borrowers has not yet been determined but could affect lending practices as secured creditors will be subject to prior satisfaction of abandonment and restoration claims which may not be capable of quantification at the time credit is advanced. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation – Liability Management Rating Program*".

If the Company's lenders require repayment of all or a portion of the amounts outstanding under its credit facilities for any reason, including a default of a covenant or the reduction of a borrowing base, there is no certainty that the Company would be in a position to make such repayment. Even if the Company is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under credit facilities, the lenders under the credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Liquidity and Additional Funding Requirements

Journey's funds flow from its reserves or funds available under its current Credit Facility may not be sufficient to fund its ongoing activities at all times, and from time to time, it may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Company's access to additional financing may be affected.

Due to uncertainty in the credit markets, Journey may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect its ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Failure to obtain any financing necessary for Journey's capital expenditure plans may result in a delay in development or production on its properties.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this AIF are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as:

- historical production from the properties;
- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil, natural gas and NGL's;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. Journey's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same

reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from Journey's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and thus does not reflect changes in Journey's reserves since that date.

Management of Growth

Journey may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. Journey's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. Journey's inability to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Key Personnel

Journey's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the business, financial condition, results of operations and prospects. The Company does not have any key person insurance in effect. The contributions of the existing management team to its immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Journey will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of Journey's management.

Operational Dependence

Other companies operate some of the assets in which Journey has an interest. The Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the financial performance. Journey's return on assets operated by others depends upon a number of factors that may be outside of the Company's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which the Company has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Company has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Company may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Company potentially becoming subject to additional liabilities relating to such assets and the Company having difficulty collecting revenue due from such operators or recovering amounts owing to the Company from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Company's financial and operational results.

Royalty Regimes

There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt a new or modify the royalty regime which may have an impact on the economics of Journey's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or its operations, less economic. On January 29, 2018, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2018.

Environmental

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, territorial 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 environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the suspension or revocation of regulatory permits, damage claims and 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 is in material compliance with current applicable environmental legislation, 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 business, financial condition, results of operations and prospects of Journey.

Disposal of Fluids Used in Operations

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the Corporation's costs of compliance.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "*Industry Conditions – Climate Change Regulation – Federal*". In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing the Company's operating expenses, each of which may have a material adverse effect on the Company's profitability and financial condition. Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Issuance of Debt

From time to time, Journey may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of a similar size. Depending on future exploration and development plans, Journey may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that it may incur. The level of Journey's aggregate indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

Journey has implemented a hedging policy using, amongst others, collars and fixed price swaps to hedge a maximum of 50% of its gross oil, NGL and natural gas forecast volumes, respectively, for the following 24 months. In addition, the policy indicates that the product being hedged be as close as possible to the quality and type of products, which Journey produces. These hedging activities could expose the Company to losses or gains. To the extent that Journey engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose Journey to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time, Journey may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar. However, if the Canadian dollar declines in value compared to the United States dollar, Journey will not benefit from the fluctuating exchange rate.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat Journey's claim. The Company's actual interest in properties may, therefore, vary from its records. If a title defect does exist, it is possible that Journey may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on its business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties that Journey controls that, if successful or made into law, could impair Journey's activities and result in a reduction of the revenue received by Journey.

Expiration of Licences and Leases

Journey's properties are held in the form of licences and leases and working interests in licences and leases. If Journey or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Journey's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the business, financial condition, results of operations and prospects of Journey.

Income Taxes

Journey has filed all required income tax returns and believes that it is in full compliance with the provisions of the Tax Act and all other applicable provincial tax legislation. Notwithstanding this, such returns are subject to reassessment by the applicable taxation authority and it is possible that the tax authorities could successfully challenge any prior transactions and tax filings of Journey. In the event of a successful reassessment, Journey may be subject to higher than expected past or future income tax liability as well as potential interest and penalties.

Income tax laws, including those laws applicable to the oil and gas industry, and government incentive programs relating to the oil and gas industry may in the future be changed or interpreted in a manner that adversely affects Journey. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company

calculates its income for tax purposes or could change administrative practices to the Company's detriment. Due to Journey's tax pool position, the Company does not believe it will pay any current income tax for the foreseeable future.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Journey considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

In addition, acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets acquired and the Company's securities.

Forward Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking information and, in particular, the guidance provided under "*General Development of the Business – Recent Developments*". By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumption and uncertainties are found under "*Forward-Looking Statements*".

Competition

The petroleum industry is competitive in all its phases. Journey competes with numerous other entities in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Journey's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than the Company's. Journey'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, methods, and reliability of delivery and storage.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affect the Company's production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of the Company's reserves as determined by independent evaluators.

To the extent that Journey engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which it may contract.

An increase in interest rates could result in a significant increase in the amount that Journey pays to service debt, resulting in a reduced amount available to fund its exploration and development activities and, if applicable, the cash available for dividends and could negatively impact the market price of its Common Shares.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and gas operations on the environment, environmental damage relating to spills of petroleum products during transportation and indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Corporation. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Corporation or not investing in the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Corporation's asset, which may result in an impairment change.

Reputational Risk Associated with the Corporation's Operations

The Corporation's business, operations or financial condition may be negatively impacted as a result of any negative public opinion towards the Corporation or as a result of any negative sentiment toward, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. The Corporation's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Corporation has no control. Similarly, the Corporation's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and environmental damage caused by the Corporation's operations. In addition, if the Corporation develops a reputation of having an unsafe work site it may impact the ability of the Corporation to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against governments and fossil fuel companies may impact the Corporation's reputation. See "*Risk Factors – Climate Change*". Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment towards the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

Litigation

In the normal course of Journey's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Journey and as a result, could have a material adverse effect on its assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly

and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

Insurance

Journey's involvement in the exploration, development and production of oil and natural gas properties may result in Journey becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, Journey may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance, or for other reasons. The payment of any uninsured liabilities would reduce the funds available to Journey. The occurrence of a significant event that Journey is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Journey's business, financial condition, results of operations and prospects.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, Journey may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put Journey at competitive risk and may cause significant damage to its business. The harm to Journey's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, Journey will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Seasonality

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for Journey's goods and services as the demand for natural gas rises during cold winter months and hot summer months.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its oil, natural gas and NGLs production and other parties. In addition, the Corporation may be exposed to third party credit risk from operators of properties in which the Corporation has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may affect a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

Waterfloods

The Company currently undertakes or may undertake in the future certain waterflooding programs which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities, the Company needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that the Company will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If the Company is unable to access such water, it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that the Company is ultimately able to produce from its reservoirs. In addition, the Company may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on the Company's results of operations.

Conflicts of Interest

Certain of Journey's directors or officers may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Officers – Conflicts of Interest*".

Expansion into New Activities

Journey's operations and the expertise of its management are currently focused primarily on oil and gas production, exploration and development in the Western Canadian Sedimentary Basin. In the future the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase its exposure to one or more existing risk factors, which may in turn result in the future operational and financial conditions of the Company being adversely affected.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Journey and may delay exploration and development activities.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Journey or implemented in the future may become obsolete. In such case, Journey's business, financial condition and results of operations could be materially adversely affected. If Journey is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the

demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows by decreasing the Corporation's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Climate Change

The Corporation's exploration and production facilities and other operations and activities emit greenhouse gases which may require the Corporation to comply with GHG emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the UNFCCC and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its GHG emissions by 30 per cent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the planned implementation of a nation-wide price on carbon emissions. The federal carbon levy goes into effect on April 1, 2019 and will affect provinces which have not implemented their own carbon taxes, cap-and-trade systems or other plans for carbon pricing, namely Ontario, Manitoba, Saskatchewan and New Brunswick. The federal carbon levy will be at an initial rate of \$20 per tonne. Provincially, the Government of Alberta has already implemented a carbon levy on almost all sources of GHG emissions, now at a rate of \$30 per tonne. The implementation of the federal carbon levy is currently subject to constitutional challenges submitted by the Provinces of Saskatchewan and Ontario, which are supported by the province of New Brunswick. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Some of the Corporation's significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2018, ENvironment JEUnesse, a Quebec advocacy group, applied to the Quebec Superior Court to certify a class action against the Government of Canada for climate related matters. In January 2019, the City of Victoria became the first municipality in Canada to endorse a class action lawsuit against oil and natural gas producers for climate-related harms. See *"Risk Factors – Non-Governmental Organizations and Eco-Terrorism Risks"* and *"Risk Factors – Reputational Risk Associated with the Corporation's Operations"*.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions and increased volatility in seasonal temperatures. Extreme weather could interfere with the Corporation's production and increase the Corporation's costs. At this time, the Corporation is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

Information Technology Systems and Cyber Security

The Corporation has become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. The Corporation depends on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our

business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim to a cyber phishing attack it could result in a loss or theft of the Corporation's financial resources or critical data and information or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

The Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Corporation also employs encryption protection of its confidential information, all computers and other electronic devices. Despite the Corporation's efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Corporation applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation, and any damages sustained may not be adequately covered by the Corporation's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Geopolitical Risks

Political events throughout the world that cause disruptions in the supply of oil continue to affect the marketability and price of oil and natural gas acquired or discovered by Journey. Conflicts, or conversely peaceful developments, arising outside of Canada have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of Journey's net production revenue.

In addition, the Company's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of Journey's properties, wells or facilities are the subject of a terrorist attack, it may have a material adverse effect on the business, financial condition, results of operations and prospects. Journey does not have insurance to protect against the risk from terrorism.

Non-Governmental Organizations and Eco-Terrorism Risks

The oil and natural gas exploration, development and operating activities conducted by the Corporation may, at times, be subject to public opposition. Such public opposition could expose the Corporation to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Aboriginal groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such

concerns may require the Corporation to incur significant and unanticipated capital and operating expenditures. In addition, the Corporation's oil and natural gas properties, wells and facilities could be the subject of a terrorist attack. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have insurance to protect against the risk from terrorism.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. Journey is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful such claim may have a material adverse effect on the business, financial condition, results of operations and prospects of Journey. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a material adverse effect on the Company's business and financial results.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading “Forward-looking Statements”.

STATEMENT OF RESERVES DATA

Statement of Reserves Data and Other Oil and Natural Gas Information

The statement of reserves data and other oil and natural gas information set forth below is dated February 12, 2019. The statement is effective as of December 31, 2018 and the preparation date of the statement is February 12, 2019. The Report On Reserves Data By Independent Qualified Reserves Evaluator or Auditor in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Appendices “A” and “B” to this AIF, respectively.

Disclosure of Reserves Data

The reserves data set forth below is based upon an evaluation by GLJ with an effective date of December 31, 2018 as contained in the GLJ Report. The reserves data summarizes the crude oil, natural gas and natural gas liquids reserves of Journey and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The GLJ Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324. Journey engaged GLJ to provide an evaluation of its proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of Journey’s reserves are in the Province of Alberta.

Journey determined the future net revenue and present value of future net revenue after income taxes by utilizing GLJ’s before income tax future net revenue and estimate of income tax. The estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and include assumptions and estimates of Journey’s tax pools provided by management of the Company and the sequences of claims and rates of claim thereon. The values shown may not be representative of future income tax obligations, applicable tax horizon or after tax valuation. The after tax net present value of Journey’s oil and gas properties reflects the tax burden of its properties on a stand-alone basis. It does not provide an estimate of the value of Journey as a business entity, which may be significantly different.

All evaluations of future net revenue are after the deduction of royalties, development costs, production costs and well abandonment and reclamation costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ represent the fair market value of those reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized herein. Readers should review the definitions and information contained in “*Presentation of Oil and Gas Reserves and Production Information - Glossary of Selected Oil and Gas Terms*” in conjunction with the following tables and notes. The recovery and reserve estimates described herein are estimates only. The actual reserves associated with Journey’s properties may be greater or less than those calculated. See “*Risk Factors*”.

The tables below summarize the data contained in the GLJ Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly.

Summary of Reserves (Forecast Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES AS OF DECEMBER 31, 2018 FORECAST PRICES AND COSTS

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		HEAVY OIL ⁽¹⁾		CONVENTIONAL NATURAL GAS		COAL BED METHANE		NATURAL GAS LIQUIDS	
	Gross (Mbbbls)	Net (Mbbbls)	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbls)	Net (Mbbbls)
PROVED:										
Developed Producing	5,717	4,901	2,963	2,679	62,596	55,107	21,706	18,715	2,357	1,877
Developed Non-Producing	118	112	5	5	6,064	4,963	106	93	245	175
Undeveloped	3,000	2,388	1,300	1,124	22,409	20,591	0	0	893	818
TOTAL PROVED	8,835	7,401	4,268	3,808	91,069	80,661	21,812	18,807	3,495	2,870
PROBABLE	7,062	5,780	3,045	2,578	52,793	47,266	8,382	7,219	1,670	1,417
TOTAL PROVED PLUS PROBABLE	15,897	13,181	7,313	6,386	143,862	127,927	30,194	26,027	5,165	4,287

(1) The crude oil in Journey's heavy oil reserves classification is approximately 20° API and is therefore classified as heavy oil under NI 51-101.

NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED (%/year) AS OF DECEMBER 31, 2018 FORECAST PRICES AND COSTS

RESERVES CATEGORY	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)	Unit Value Before Income Tax Discounted at 10% per Year \$/boe ⁽¹⁾
PROVED:						
Developed Producing	322,420	257,867	212,664	180,749	157,424	9.77
Developed Non-Producing	15,233	10,560	8,073	6,491	5,376	7.12
Undeveloped	150,036	88,282	53,493	32,670	19,498	6.89
TOTAL PROVED	487,690	356,709	274,230	219,910	182,299	8.95
PROBABLE	541,035	326,489	217,642	155,407	116,446	11.54
TOTAL PROVED PLUS PROBABLE	1,028,724	683,198	491,872	375,317	298,744	9.93

(1) Unit values are based on Company Net Reserves.

NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED (%/year) AS OF DECEMBER 31, 2018 FORECAST PRICES AND COSTS

RESERVES CATEGORY	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
PROVED:					
Developed Producing	322,420	257,867	212,664	180,749	157,424
Developed Non-Producing	15,233	10,560	8,073	6,491	5,376
Undeveloped	150,036	88,282	53,493	32,670	19,498
TOTAL PROVED	487,690	356,709	274,230	219,910	182,299
PROBABLE	445,445	280,061	193,226	141,783	108,481
TOTAL PROVED PLUS PROBABLE	933,135	636,770	467,456	361,693	290,780

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2018
FORECAST PRICES AND COSTS ⁽¹⁾⁽²⁾**

RESERVES CATEGORY	REVENUE (\$000s)	ROYALTIES (\$000s)	OPERATING COSTS (\$000s)	DEVELOPMENT COSTS (\$000s)	ABANDONMENT AND RECLAMATION COSTS ⁽³⁾ (\$000s)	FUTURE NET REVENUE BEFORE INCOME TAXES (\$000s)	FUTURE INCOME TAX EXPENSES (\$000s)	FUTURE NET REVENUE AFTER INCOME TAXES (\$000s)
Total Proved	1,591,345	199,482	676,125	122,790	105,258	487,690	-	487,690
Total Proved plus Probable	2,833,926	380,944	1,092,244	206,913	125,100	1,028,724	95,589	933,135

Notes:

- (1) Total revenue includes Company revenue before royalty and includes other income.
- (2) Royalties include Crown, freehold and overriding royalties and mineral tax.
- (3) Reflects estimated abandonment and reclamation costs for all wells (both existing and undrilled wells) that have been attributed reserves.

**FUTURE NET REVENUE
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2018
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES ⁽²⁾ (discounted at 10%/year) (\$000s)	UNIT VALUE BEFORE INCOME TAX ⁽²⁾ (discounted at 10%/year) (\$/boe)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	146,845	13.35
	Heavy Oil (including solution gas and other by-products) ⁽¹⁾	71,277	18.32
	Conventional Natural Gas (including by-products but excluding solution gas)	48,624	3.85
	Coal Bed Methane	7,484	2.38
	Total	274,230	8.95
Proved plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	276,173	13.71
	Heavy Oil (including solution gas and other by-products) ⁽¹⁾	127,793	19.69
	Conventional Natural Gas (including by-products but excluding solution gas)	75,738	4.09
	Coal Bed Methane	12,168	2.80
	Total	491,872	9.93

Note:

- (1) The crude oil in Journey's heavy oil reserves classification is approximately 20° API and is therefore classified as heavy oil under NI 51-101.
- (2) Other Company revenue and costs not allocated to a specific production group have been allocated proportionally to production groups. Unit values are based on the Company net reserves.

Pricing Assumptions

The forecast cost and price assumptions above assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The following crude oil and natural gas benchmark

reference pricing, inflation and exchange rates were utilized in the GLJ Report and are the average of the published forecasts for GLJ, Sproule Associates Ltd. and McDaniel & Associates Consultants Ltd.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF JANUARY 1, 2019 FORECAST PRICES AND COSTS

Year	OIL				NATURAL GAS		NATURAL GAS LIQUIDS			INFLATION RATE ⁽¹⁾	EXCHANGE RATE ⁽²⁾
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Oil Price 40° API (\$Cdn/bbl)	WCS Crude Oil Stream Hardisty (\$Cdn/bbl)	Hardisty Bow River Stream Quality (\$Cdn/bbl)	AECO Gas Price (\$Cdn/MMBtu)	NYMEX Henry Hub (\$US/MMBtu)	Edmonton Propane (\$Cdn/bbl)	Edmonton Butane (\$Cdn/bbl)	Edmonton Pentanes Plus (\$Cdn/bbl)		
2019	58.58	67.30	51.55	52.61	1.88	3.00	26.13	27.32	70.10	0.0	0.7567
2020	64.60	75.84	59.58	60.50	2.31	3.13	31.27	41.10	79.21	2.0	0.7817
2021	68.20	80.17	65.89	66.60	2.74	3.33	34.58	49.28	83.33	2.0	0.7967
2022	71.00	83.22	68.61	69.32	3.05	3.51	37.25	55.65	86.20	2.0	0.8033
2023	72.81	85.34	70.53	71.25	3.21	3.62	38.73	57.92	88.16	2.0	0.8067
2024	74.59	87.33	72.34	73.07	3.31	3.70	39.75	59.27	90.20	2.0	0.8083
2025	76.42	89.50	74.31	75.08	3.39	3.77	40.76	60.77	92.43	2.0	0.8083
2026	78.40	91.89	76.44	77.22	3.46	3.85	41.93	62.37	94.87	2.0	0.8083
2027	79.98	93.76	78.10	78.89	3.54	3.92	42.84	63.65	96.80	2.0	0.8083
2028	81.59	95.68	79.81	80.60	3.62	4.01	43.80	64.97	98.79	2.0	0.8083
2029	83.22	97.57	81.40	82.20	3.70	4.08	44.73	66.26	100.76	2.0	0.8083
2030	84.87	99.52	83.00	83.85	3.78	4.16	45.64	67.56	102.77	2.0	0.8083
2031	86.57	101.52	84.69	85.55	3.85	4.25	46.56	68.92	104.84	2.0	0.8083
2032	88.30	103.55	86.37	87.24	3.92	4.33	47.46	70.33	106.94	2.0	0.8083
2033	90.08	105.65	88.11	89.02	4.00	4.42	48.44	71.72	109.10	2.0	0.8083
Thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	2.0	0.8083

Notes:

(1) Inflation rates for forecasting prices and costs.

(2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by Journey for the year ended December 31, 2018 were \$58.52/bbl for light and medium oil, \$51.64/bbl for heavy oil, \$40.49/bbl for natural gas liquids and \$1.75/Mcf for natural gas.

Reserves Reconciliation

RECONCILIATION OF GROSS RESERVES BY PRINCIPAL PRODUCT TYPE FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL			HEAVY OIL			NATURAL GAS LIQUIDS		
	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)	Proved (Mbbls)	Probable (Mbbls)	Proved Plus Probable (Mbbls)
December 31, 2017	8,388	7,808	16,196	4,386	3,176	7,562	4,028	1,838	5,866
Discoveries	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	851	(25)	826	175	100	275	33	8	41
Technical Revisions	797	(466)	331	7	(230)	(223)	(52)	(90)	(141)
Acquisitions	51	13	64	8	2	11	2	0	2
Dispositions	(151)	(225)	(376)	0	0	0	(211)	(78)	(289)
Economic Factors	68	(43)	25	4	(3)	1	(64)	(9)	(73)
Production	(1,169)	0	(1,169)	(313)	0	(313)	(241)	0	(241)
December 31, 2018	<u>8,835</u>	<u>7,062</u>	<u>15,897</u>	<u>4,268</u>	<u>3,045</u>	<u>7,313</u>	<u>3,495</u>	<u>1,670</u>	<u>5,165</u>

	COAL BED METHANE			CONVENTIONAL NATURAL GAS			OIL EQUIVALENT		
	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved Plus Probable (Mboe)
December 31, 2017	29,728	8,466	38,194	93,257	51,879	145,137	37,300	22,879	60,179
Discoveries	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	0	0	0	6,388	1,098	7,486	2,124	266	2,390
Technical Revisions	(3,922)	(426)	(4,348)	3,208	486	3,694	634	(777)	(142)
Acquisitions	0	0	0	45	12	57	69	17	86
Dispositions	0	0	0	(1,740)	(620)	(2,360)	(653)	(406)	(1,059)
Economic Factors	(1,236)	342	(893)	(1,155)	(62)	(1,217)	(390)	(8)	(398)
Production	(2,759)	0	(2,759)	(8,934)	0	(8,934)	(3,672)	0	(3,672)
December 31, 2018	<u>21,812</u>	<u>8,382</u>	<u>30,194</u>	<u>91,069</u>	<u>52,793</u>	<u>143,862</u>	<u>35,412</u>	<u>21,972</u>	<u>57,384</u>

Additional Information Relating to Reserves Data

Undeveloped Reserves

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than proved reserves where significant expenditure is required to render them capable of production. The GLJ Report contains proved and probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGE Handbook.

Journey plans to develop all of the proved and probable undeveloped reserves in the GLJ Report over the next six years. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see “Risk Factors”.

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of proved undeveloped reserves that were attributed in each of the most recent three financial years.

Year	Light and Medium Oil (Mbbls)		Heavy Oil (Mbbls)		Conventional Natural Gas (MMcf)		NGLs (Mbbls)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2016	88	3,868	298	825	3,157	12,807	380	542
2017	309	2,550	580	1,485	9,859	20,978	452	931
2018	418	3,000	0	1,300	2,455	22,409	6	893

GLJ has assigned 8,928 Mboe of proved undeveloped reserves in the GLJ Report under forecast prices and costs which includes \$109.8 million of associated undiscounted future development capital. Forecast spending for the next two years is \$44.1 million.

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of probable undeveloped reserves that were attributed in each of the most recent three financial years.

Year	Light and Medium Oil (Mbbls)		Heavy Oil (Mbbls)		Conventional Natural Gas (MMcf)		NGLs (Mbbls)	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
2016	561	6,058	55	1,139	2,788	16,377	161	391
2017	587	5,404	684	2,011	14,381	28,796	653	998
2018	157	4,787	275	1,894	924	28,933	2	960

GLJ has assigned 12,463 Mboe of probable undeveloped reserves in the GLJ Report under forecast prices and costs which includes \$82.1 million of associated undiscounted future development capital. Forecast spending for the next two years is \$30.9 million.

Significant Factors or Uncertainties Affecting Reserves Data

Changes in forecast commodity prices relative to the forecasts provided under “Pricing Assumptions” above could have a negative impact on the Company’s reserves and, in particular, the development of our undeveloped reserves unless future development costs are adjusted at the same time. Other than the foregoing and the factors disclosed or described in the tables above, Journey does not anticipate that any significant economic factors or significant uncertainties will affect any particular components of its reserves data. However, Journey’s reserves can be significantly affected by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes, abandonment and reclamation costs and well performance that are beyond the Company’s control. See “Risk Factors”.

Abandonment and Reclamation Costs

The costs to abandon and reclaim all of Journey’s producing and non-producing wells, gas plants, pipelines, batteries, and other facilities have been estimated by Journey in consultation with industry consultants who are knowledgeable in these matters. No estimate of salvage value is netted against these estimated costs. The Company’s model for estimating the amount of future abandonment and reclamation expenditures is done at the well and facility levels. Estimated costs for each well, pipeline segment and facility are based on an external consultant’s estimates and then adjusted by internal technical personnel to take into account specific additional information that is unique to those properties. Each well, pipeline and facility is assigned a cost for abandonment and reclamation that is unique to the type of property, taking into account its geographic location, well depth, and producing zones, among other factors. The timing of the expenditures is based on the end of the productive life for the specific wells as estimated by a third party consultant, and also taking into account governmental requirements. Facility reclamation costs are generally scheduled to begin shortly after the end of the reserve life for the specific field for the associated reserves.

As at December 31, 2018 there were 2,214 gross (1,678.2 net) wells for which Journey expects to incur abandonment and reclamation costs or reclamation costs only.

The GLJ Report deducted \$125.1 million (undiscounted) for abandonment and reclamation costs of wells with proved and probable reserves assigned to them, in estimating the future net revenues disclosed above. A comprehensive estimate of future abandonment and reclamation costs for all of Journey’s existing wells, facilities, surface leases, and pipelines is provided for in the financial statements of Journey. These amounts are described in Note 11 of the December 31, 2018 audited, annual financial statements.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Journey's future net revenue attributable to the reserve categories noted below.

Year	FUTURE DEVELOPMENT COSTS	
	Proved Reserves (\$000s)	Proved Plus Probable Reserves (\$000s)
2019	22,673	24,753
2020	27,009	56,154
2021	33,762	71,953
2022	24,197	37,877
2023	8,551	8,551
Thereafter	6,598	7,625
Total (Undiscounted)	122,790	206,913
Total (Discounted at 10%)	97,657	164,634

Journey expects to fund the development costs of its reserves through a combination of internally generated funds flow, debt and equity issuances. There can be no guarantee that funds will be available or that the Board of Directors will allocate funding to develop all of the reserves attributed in the GLJ Report. Failure to develop those reserves could have a negative impact on Journey's future funds flow.

Interest or other costs of external funding are not included in Journey's reserves and future net revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. Journey does not anticipate that interest or other funding costs would make development of any of its properties uneconomic.

Other Oil and Natural Gas Information

Principal Oil and Natural Gas Properties

The following is a description of Journey's principal oil and natural gas properties on production or under development as at December 31, 2018. Information in respect of production volumes is average annual sales volumes, net to Journey.

Countess, Alberta

The Greater Countess area is located adjacent to Brooks, Alberta and includes production from the Countess and Brooks properties.

Countess production is comprised of shallow gas from the Milk River/Medicine Hat formations, coal bed methane from Belly River coal formations and production of oil and associated gas mostly from the Glauconite and Sunburst formations. The Milk River and Medicine Hat sequence is dominated by marine sandstones. Substantially all of Journey's shallow gas wells have been additionally completed uphole in the coal units of the Belly River formation. Countess and Brooks oil is characterized by its large oil in place, low recovery medium gravity oil (25° to 30° API) in the Glauconite and Sunburst formations. The Glauconite formation is dominated by shore face sandstone deposits and channel sandstones. These fine grained sandstone reservoirs were originally developed with vertical wells, and have since been further exploited with horizontal multi-frac drilling. In addition, the underlying Sunburst formation is an estuarine valley fill sandstone deposit. These fine grained sandstone reservoirs were also originally developed with vertical wells, and have since been further exploited with horizontal drilling using conventional completions. A

significant inventory of development drilling in both zones and subsequent water flood comprises the bulk of the upside of this asset. Average 2018 production at the Countess-Brooks area was 2,431 boe/d (18% liquids).

Gilby, Alberta

The Greater Gilby area is located just northwest of Red Deer, Alberta and includes assets in the vicinity of Gilby and Gull Lake. Activities during 2018 included minor A&D activities and purchase of additional land interests. Production from the area is mainly gas and associated liquids from the Glauconite formation and oil from the Mannville formation.

Glauconite gas and associated liquids produces from the Hoadley barrier island sandstone trend. This extensive gas field has been developed in phases over the past 30 years, initially with vertical wells, and more recently with horizontal wells. The formation varies in reservoir quality, but is generally low permeability, gas charged and slightly over-pressured. Journey's lands are partially developed with both vertical and horizontal wells, but a significant inventory of low risk horizontal wells remain to be drilled.

Oil production at Gilby is predominantly from the Gilby Mannville B Unit which is a medium gravity (26° API) water flood where Journey holds 100% working interest. Average 2018 production at the Greater Gilby area was 1,790 boe/d (31% liquids).

Crystal, Alberta

The Greater Crystal area is located approximately 90 kilometres southwest of Edmonton, Alberta and production is mainly from properties at Crystal, Poplar Creek, Westrose and Berrymoor.

At the Crystal property, oil production is from the Viking formation (40° API), which produces from an estuarine valley fill sandstone reservoir. Further upside exists in the exploitation of the Viking sandstone by drilling horizontally into the existing pool, drilling horizontal, multi-frac wells in the lower permeability portions of the pool, and expanding the existing water flood beyond the heart of the pool.

At Poplar Creek and Westrose, Belly River oil (34° to 37° API) production occurs in several pools, producing from delta front shore face sandstone reservoirs, many of which are currently water flooded. Upside exists with infill horizontal multi-frac drilling, pool expansion and water flood expansion in several Belly River pools.

The Westrose Banff B Unit is a stable, long life oil pool (29° API) currently under a gas reinjection scheme. Production occurs from the vuggy dolomite reservoir of the Banff Clarks member. Further drilling is contemplated for this pool to optimize recovery.

At Berrymoor, low decline production is mainly from an Ostracod oil pool (31° API) which is currently under water flood.

Average 2018 production from the Greater Crystal area was 1,246 boe/d (76% liquids).

Matziwin, Alberta

The Matziwin property is located approximately 50 kilometers north of Brooks, Alberta

Matziwin is characterized by its large oil in place, low recovery medium gravity oil (30° API) and associated natural gas production. In the area, production is primarily from the Glauconite formation, dominated by shoreface sandstone

deposits. These fine grained sandstone reservoirs were originally developed with vertical wells, and have since been further exploited with horizontal multi-frac drilling.

During 2018, Journey drilled 5 (5.0 net) horizontal Glauconite wells at Matziwin. A significant inventory of development drilling locations and subsequent water flood comprises the bulk of the upside of this asset. Average 2018 production at Matziwin was 1,637 boe/d (47% liquids).

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which Journey had a working interest as at December 31, 2018 and does not include 205 gross (148.2 net) service wells (injection, disposal, source water or observation wells), and 256 (158. net) abandoned wells (cut and capped but not reclaimed yet).

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	415	311.6	393	287.8	678	593.3	267	178.9
Total	415	311.6	393	287.8	678	593.3	267	178.9

Properties with No Attributed Reserves

The following table sets out the developed and undeveloped land holdings of Journey as at December 31, 2018.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	341,549	249,290	231,128	169,818	572,678	419,108
Total	341,549	249,290	231,128	169,818	572,678	419,108

Of the properties set out above, 21,595 gross (19,289 net) acres are scheduled for expiry in 2019.

Forward Contracts

Journey uses risk management contracts in order to reduce its exposure to fluctuations in commodity prices. These instruments are not used for trading or speculative purposes.

All of the contracts through which the Company has fixed the price applicable to certain of its future production outstanding as at December 31, 2018 have been disclosed in Note 18(b) of the audited financial statements of the Company for the year ended December 31, 2018. The audited available financial statements are available on the SEDAR website at www.sedar.com and are incorporated herein by reference.

Tax Horizon

Based on the tax pools of Journey as at December 31, 2018, the anticipated capital spending profile, and forecasted commodity prices in the GLJ Report, it is not currently anticipated that Journey will pay cash taxes for at least the next five years.

Costs Incurred

The following table summarizes the capital costs incurred by Journey for the year ended December 31, 2018.

	Year ended December 31, 2018 (\$000s)
Property acquisition costs:	
Proved properties ⁽¹⁾	(4,958)
Undeveloped properties ⁽¹⁾	3,800
Exploration costs	205
Development costs	27,560
Other	37
Total	26,644

Notes:

(1) Net of dispositions.

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which Journey participated during the year ended December 31, 2018.

	Development		Exploratory	
	Gross	Net	Gross	Net
Natural Gas	-	-	-	-
Oil	8	8.0	-	-
Service	-	-	-	-
Stratigraphic Test	1	1.0	-	-
Dry	-	-	-	-
Total	9	9.0	-	-

In 2019, Journey currently plans to drill up to 11 gross (11.0 net) wells focusing on its oil plays at Matziwin and Skiff.

Production Estimates

The following table sets out for each product type the gross volume of production estimated for 2019 in the estimates of gross proved reserves and gross probable reserves disclosed in the tables above. The Greater Countess area accounts for approximately 22% of the production estimate from the total gross proved plus probable reserves disclosed above.

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d) ⁽¹⁾	Conventional Natural Gas (Mcf/d)	Coal Bed Methane (Mcf/d)	Natural Gas Liquids (bbl/d)	Oil Equivalent (boe/d)
Proved						
Greater Countess	344	-	4,034	6,985	13	2,193
Matziwin	894	-	6,810	-	17	2,046
Other Alberta	1,875	903	12,962	-	534	5,472
Total Proved	3,113	903	23,806	6,985	564	9,711
Probable						
Greater Countess	11	-	74	79	-	37
Matziwin	77	-	575	-	1	174
Other Alberta	43	97	308	-	12	203
Total Probable	131	97	957	79	13	414

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d) ⁽¹⁾	Conventional Natural Gas (Mcf/d)	Coal Bed Methane (Mcf/d)	Natural Gas Liquids (bbl/d)	Oil Equivalent (boe/d)
Total Proved plus Probable	3,244	1,000	24,763	7,063	577	10,125

Note:

- (1) The crude oil in Journey's heavy oil reserves classification is approximately 20° API and is therefore classified as heavy oil under NI 51-101.

Production History

The following tables summarize certain information in respect of the production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below.

	Quarter Ended 2018				Year Ended Dec. 31, 2018
	Mar. 31	June 30	Sept. 30	Dec. 31	
Average Daily Production ⁽¹⁾					
Light and Medium Oil (bbl/d)	3,206	3,142	3,434	3,107	3,223
Heavy Oil (bbl/d)	777	811	923	865	845
Natural Gas Liquids (bbl/d)	771	734	525	617	661
Natural Gas (MMcf/d)	32,176	32,092	32,070	31,996	32,083
Combined (boe/d)	10,117	10,036	10,227	9,921	10,075
Average Net Production Prices Received					
Light and Medium Oil (\$/Bbl)	58.81	71.49	69.90	32.67	58.52
Heavy Oil (\$/Bbl)	52.05	65.22	62.21	27.41	51.64
Natural Gas Liquids (\$/Bbl)	40.82	47.76	39.41	32.44	40.49
Natural Gas (\$/Mcf)	1.90	1.11	1.61	2.39	1.75
Combined (\$/boe)	31.78	34.69	36.17	22.34	31.28
Royalties Paid					
Light and Medium Oil (\$/Bbl)	8.59	10.58	10.28	5.77	8.84
Heavy Oil (\$/Bbl)	6.26	7.50	9.49	2.66	6.52
Natural Gas Liquids (\$/Bbl)	9.53	5.50	6.04	4.99	6.65
Natural Gas (\$/Mcf)	0.14	0.06	0.08	0.19	0.12
Combined (\$/boe)	4.37	4.52	4.87	2.95	4.18
Production Costs ⁽²⁾⁽³⁾					
Light and Medium Oil (\$/Bbl)	26.28	22.71	20.27	22.30	22.83
Heavy Oil (\$/Bbl)	19.09	18.00	17.64	17.46	18.01
Natural Gas Liquids (\$/Bbl)	6.62	6.94	8.69	7.36	7.30
Natural Gas (\$/Mcf)	1.19	1.59	1.25	1.24	1.32
Combined (\$/boe)	14.08	14.14	12.75	12.97	13.48
Transportation Costs					
Light and Medium Oil (\$/Bbl)	0.83	1.42	0.94	1.28	1.11
Heavy Oil (\$/Bbl)	1.70	1.76	1.94	1.65	1.77
Natural Gas Liquids (\$/Bbl)	0.06	0.03	0.07	0.04	0.05
Natural Gas (\$/Mcf)	-	-	-	-	-
Combined (\$/boe)	0.40	0.59	0.49	0.55	0.51
Netback Received ⁽⁴⁾					
Light and Medium Oil (\$/Bbl)	23.11	36.78	38.41	3.32	25.74
Heavy Oil (\$/boe)	25.00	37.96	33.14	5.64	25.34
Natural Gas Liquids (\$/Bbl)	24.61	35.29	24.61	20.05	26.49
Natural Gas (\$/Mcf)	0.57	(0.54)	0.28	0.96	0.31
Combined (\$/boe)	12.93	15.44	18.06	5.87	13.11

Notes:

- (1) Before the deduction of royalties.
- (2) Production costs are composed of direct costs incurred to operate both oil and gas wells. A number of assumptions are required to allocate these costs between product types. In addition, these include facility operating costs, net of third party recoveries including processing, treating and water disposal.
- (3) Operating recoveries associated with operated properties are charged to production costs and accounted for as a reduction to general and administrative costs.
- (4) See “GAAP and Non-GAAP Measures”.

The following table indicates the average daily production from the important fields for the year ended December 31, 2018.

	Light and Medium Crude Oil (bbl/d)	Heavy Oil (bbl/d)	Gas (Mcf/d)	NGLs (bbl/d)	Boe (boe/d)
Countess	416	-	12,005	15	2,431
Gilby	184	-	7,387	375	1,790
Matziwin	755	-	5,226	11	1,637
Other	1,868	845	7,465	260	4,217
Total	3,223	845	32,083	661	10,075

DIVIDENDS AND DIVIDEND POLICY

Dividends and Dividend Policy

From July 2014 until December of 2015 the Company paid a dividend. On December 14, 2015 the quarterly dividend was suspended. There are currently no plans to reinstate the dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company as of the date hereof consists of an unlimited number of Common Shares, an unlimited number of Restricted Voting Shares and an unlimited number of Preferred Shares. As of the date of this AIF, there were 39,227,490 Common Shares issued and outstanding and no Restricted Voting Shares or Preferred Shares issued and outstanding. The following is a description of the rights, privileges, restrictions and conditions attaching to Journey’s share capital.

Common Shares

The Common Shares have the following rights, privileges, restrictions and conditions:

Voting Rights: Holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the Shareholders (except meetings at which only holders of a specified class of shares are entitled to vote).

Dividends: Holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors on the Common Shares as a class, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Company and provided that no dividend shall be declared on the Common Shares unless a dividend in the same per share amount is declared on the Restricted Voting Shares.

Ranking: In the event of any liquidation, dissolution or winding-up of Journey, whether voluntary or involuntary, or any other distribution of Journey assets among its Shareholders for the purpose of winding-up Journey’s affairs, and subject to the rights, privileges, restrictions and conditions attaching to any other

class or series of shares of the Company, holders of Common Shares are entitled to receive the remaining property of the Company upon dissolution in the same per share amount with the holders of Restricted Voting Shares.

The Common Shares also contain tag along rights to the benefit of the Restricted Voting Shares, which provide that in the event that an Exclusionary Offer (as defined below) is made, then an offer to acquire the Restricted Voting Shares must be made that is identical to the Exclusionary Offer in terms of price per share, percentage of outstanding shares to be taken up and in all other material respects. An “Exclusionary Offer” is defined as an offer to purchase Common Shares which must be made, by reason of applicable law or by the regulations or policies of any stock exchange on which the Common Shares are listed, to all or substantially all of the holders of Common Shares.

As at the date hereof, Bison owns 6,777,100 Common Shares (representing 17.28% of the outstanding Common Shares); PSP owns 5,432,308 Common Shares (representing 13.85% of the outstanding Common Shares); and AIMCo owns 4,950,000 Common shares (representing 12.62% of the outstanding Common Shares).

Restricted Voting Shares

On June 6, 2014, the Company amended its articles to create the Restricted Voting Shares. The Restricted Voting Shares have the same rights, privileges, restrictions and conditions as the Common Shares set out above (and will rank equally with the Common Shares in respect to the right to receive dividends as and when declared by the Board of Directors and the right to receive Journey assets in the event of any liquidation, dissolution or winding-up of Journey), except holders of Restricted Voting Shares shall not be entitled to vote in respect of the election of directors of the Company and the Restricted Voting Shares shall automatically be converted into Common Shares on a 1:1 basis upon the sale of such Restricted Voting Shares to any third party and for no consideration payable in connection thereof.

A holder of Restricted Voting Shares shall have the right at any time or from time to time, upon providing notice to the Company, to convert all or any number of the outstanding Restricted Voting Shares held by such holder into Common Shares on the basis of one Common Share for each Restricted Voting Share, without payment of any additional consideration by such holder.

There are currently no Restricted Voting Shares outstanding.

Preferred Shares

The Preferred Shares are issuable in series having such rights, restrictions, privileges, conditions and designations as the Board may from time to time determine.

Ranking: The Preferred Shares shall be entitled to preference over the Common Shares (and any other shares of the Company ranking junior to the Preferred Shares) with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, to the extent fixed in the case of each respective series, and may also be given such other preferences over the Common Shares (and any other shares of the Company ranking junior to the Preferred Shares) as may be fixed in the case of each such series.

There are currently no Preferred Shares outstanding.

Credit Agreement

Pursuant to the Credit Agreement, Journey currently has the Credit Facility with a total commitment of \$100 million. Advances under the production facility (authorized \$85 million) are available by way of prime loans, bankers' acceptances and bankers' acceptance equivalent advances, U.S. base rate loans and LIBOR loans. Advances under the working capital facility (authorized \$15 million) are available by way of prime loans, U.S. base rate loans, LIBOR loans, bankers' acceptances and letters of credit. Advances bear interest at the applicable margin determined in accordance with the consolidated debt to funds flow ratio and standby fees are charged on the undrawn amounts of the facilities. The Credit Agreement is secured by a \$500 million debenture over all of Journey's assets.

Credit Facility

On March 14, 2014, Journey entered into the Credit Agreement. On November 24, 2016, the original credit facility was replaced with an amended and restated Credit Facility.

The current Credit Facility is comprised of: (a) a production facility of \$85 million; and (b) a working capital facility of \$15 million. Both facilities are available to Journey for general corporate and partnership purposes and for ongoing working capital requirements of Journey and the wholly-owned subsidiaries of Journey that are designated by Journey as "Borrowing Base Subsidiaries" (as defined in the Credit Agreement).

The current production and working capital facilities are available on a fully revolving basis until its annual renewal date of April 30, 2019 (the "**Term Out Date**"). The current facilities will expire one year after their Term Out Date, (April 30, 2020) unless renewed by the syndicate. The annual review of the Credit Facility is currently under way and the Credit Facility is expected to be renewed before its current Term Out Date. Prior to the Term Out Date, Journey may request an extension of the Term Out Date for an additional one year. The consideration of any request for an extension constitutes an independent credit decision which each lender retains the absolute and unfettered discretion to make. If the Term Out Date is not extended all amounts outstanding under the production facility and the working capital facility will be repayable on the day that is one year after the Term Out Date and the commitments of such lender will be reduced to zero. The borrowing base is re-determined semi-annually based on, among other things, proved developed producing, proved developed non-producing and proved undeveloped reserves. If the redetermination results in a borrowing base shortfall, the undrawn credit will cease to be available to Journey. Journey will therefore need to eliminate the borrowing base shortfall by providing the "Agent" (as defined in the Credit Agreement) with other security or guarantees and/or effecting a permanent repayment of the outstanding amounts in excess of the new re-determined borrowing base. The Credit Agreement provides that the borrowing base is the amount not in excess of the aggregate amount of the commitments under the production facility and the working capital facility.

As security for the Credit Agreement, Journey provided: (a) a \$500 million fixed and floating charge demand debenture granting a fixed charge over certain assets named therein, a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property; and (b) an unlimited liability guarantee with respect to the obligations of each Borrowing Base Subsidiary to the swap lenders and the cash management lender.

The obligations of Journey under the Credit Agreement are guaranteed by 1332993 Alberta Ltd. and Journey Energy Partnership. 1332993 Alberta Ltd. and Journey Energy Partnership each provided a \$500 million fixed and floating charge demand debenture granting a fixed charge over certain assets named therein, a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property.

Promissory Notes

On October 6, 2016, Journey entered into a private placement with AIMCo for the issuance of 30,000 units at a price of \$1,000 per unit for aggregate proceeds of \$30 million. Each unit is comprised of: i) one promissory note with a par value of \$1,000 which bears interest at the rate of 7.65% per annum payable semi-annually; and ii) 165 Common Share purchase warrants. The Promissory Notes (2016) mature on October 31, 2020 and all or a portion of the principal amount outstanding thereunder may be repaid by Journey without penalty after two years from the date of issuance. Journey issued 4.95 million warrants in connection with this promissory note private placement, with each warrant entitling the holder to purchase one Common Share at a price per share of \$2.75 until their expiry on October 7, 2018. On March 2, 2018, AIMCo exercised all of their warrants and gross proceeds of \$13.6 million were received by Journey.

On January 31, 2018, Journey entered into a second promissory note private placement with AIMCo for the issuance of 22,000 units at a price of \$1,000 per unit for aggregate proceeds of \$22 million. Each unit is comprised of: i) one promissory note with a par value of \$1,000 which bears interest at the rate of 7.65% per annum payable semi-annually; and ii) 105 Common Share purchase warrants. The Promissory Notes (2018) mature on September 30, 2022 and all or a portion of the principal amount outstanding thereunder may be repaid by Journey without penalty after two years

from the date of issuance. Journey issued 2.31 million warrants in connection with this promissory note private placement, with each warrant entitling the holder to purchase one Common Share at a price per share of \$2.51 until their expiry on June 1, 2020.

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding Common Shares of the Company trade on the TSX under the symbol JOY. The following table sets out the high and low closing prices and average trading volume of Common Shares as reported by the TSX, for the periods indicated.

Period	TSX High Close	TSX Low Close	TSX Average Daily Trading Volume
2018			
January	\$1.93	\$1.72	18,030
February	\$1.90	\$1.63	4,166
March	\$1.95	\$1.43	5,969
April	\$2.00	\$1.46	14,207
May	\$2.15	\$1.71	12,575
June	\$1.94	\$1.62	6,122
July	\$1.77	\$1.60	5,117
August	\$1.84	\$1.31	44,888
September	\$2.42	\$1.65	67,996
October	\$2.54	\$2.00	62,159
November	\$2.35	\$1.84	22,852
December	\$2.05	\$1.75	12,561
2019			
January	\$2.08	\$1.77	14,463
February	\$2.18	\$1.64	13,576
March 1 – 25	\$2.00	\$1.78	7,883

Prior Sales

Set forth below are details of the securities issued (purchased) by the Company for the periods indicated.

Date of Issuance	Number and Type of Securities ⁽¹⁾	Price per Security (\$) ⁽¹⁾	Aggregate Funds Received (Paid) (\$)
February 2, 2018	12,700,000 Common Shares repurchased from MIE	\$1.68	\$(21,336,000)
February 27, 2018	5,745 Common Shares issued on vesting of restricted stock units	Nil	Nil
October 16, 2018	6,666 Common Shares issued for exercise of stock options	\$1.73	11,532
October 24, 2018	664,864 Common Shares issued on restricted stock unit and performance share unit vesting	Nil	Nil
January 17, 2019	9,677 Common Shares issued on vesting of restricted stock units	Nil	Nil

Notes:

(1) The prices used are the average price for all shares issued on this date.

During the year ended December 31, 2018, the securities that the Company issued, which were outstanding but not listed or quoted on a marketplace were an aggregate of 1,143,000 share based compensation awards and 2,310,000 warrants issued as part of the Promissory Note (2018) financing. Of the share based compensation awards, there were: a) 784,500 restricted share unit, time-based awards entitling the holders to be issued 784,500 Common Shares or a cash equivalent at the Company's option; and c) 358,500 performance share unit, time-based awards entitling the holders to be issued a multiplier of their Common Share entitlement of between zero and two times; or a cash equivalent at the Company's option.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date hereof, none of the Company's securities are subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

Summary Information

The name, city of residence, and principal occupation during the last five years of each of the current directors and officers of the Company are set forth in the following table.

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since
Alex G. Verge Alberta, Canada	President and Chief Executive Officer and Director	Director and President and Chief Executive Officer of Journey since July 1, 2012.	July 1, 2012 ⁽²⁾
Howard Crone ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Chairman	Director of Cequence Energy Ltd. From April 9 to July 27 th of 2018 Mr. Crone served as interim CFO of Cequence; prior thereto he was the Executive Vice President and Chief Operating Officer of Cequence from September 2010 to August 14, 2014.	May 2, 2014
Glenn A. Hamilton ⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	Independent businessman. Formerly Corporate Advisor from May 2015 to July 2016 and prior thereto, Senior Vice President and Chief Financial Officer of Bonavista Energy Corporation; currently also a director of Ember Resources Inc.	May 31, 2018
Dana B. Laustsen ⁽¹⁾⁽⁵⁾ Alberta, Canada	Director	Independent businessman. Prior thereto, Executive Vice President and Chief Operating Officer of GLJ	January 16, 2014
Ryan Shay ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	Independent businessman and director of Perpetual Energy Inc. and Crew Energy Inc. Prior thereto, Mr. Shay was Managing Director, Head of Investment Banking at Cormark Securities until he retired in June of 2018. Mr. Shay was with Cormark since 1999.	May 24, 2018
Gerald N. Gilewicz Alberta, Canada	Chief Financial Officer	Chief Financial Officer of Journey since September 4, 2012.	N/A
Brett Boklaschuk Alberta, Canada	Vice President, Geosciences	Vice President, Geosciences of Journey since May 12, 2015; previously served as the Manager of Business Development at Journey from November 2012.	N/A

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since
Terry J. Moore Alberta, Canada	Vice President, Engineering	Vice President, Engineering of Journey since July 1, 2012 and previously served as Senior Vice President, Engineering at Sword, the predecessor to Journey.	N/A
Anthony V. Polini Alberta, Canada	Vice President, Land	Vice President, Land of Journey since July 1, 2012 and previously served as the Vice President, Land at Sword, the predecessor to Journey.	N/A

Notes:

- (1) Member of the Reserves Committee. Mr. Laustsen is the Chairman of the Reserves Committee.
- (2) Was also a director of Sword, the predecessor to Journey. Mr. Verge became a director of Sword on February 11, 2011.
- (3) Member of the Audit Committee. Mr. Hamilton is the Chairman of the Audit Committee.
- (4) Member of the Governance & Compensation Committee. Mr. Shay is the Chairman of the Governance & Compensation Committee.
- (5) Independent director.

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual meeting of Shareholders called for the election of directors, or on such other date as they may be removed according to the ABCA. Each director will devote the amount of time as is required to fulfill his obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

Directors and Officers – Biographies

The following are brief profiles of the directors and officers of the Company, including a description of each individual's principal occupation within the past five years.

Alex G. Verge – President and Chief Executive Officer and Director

Mr. Verge serves as the President and CEO of Journey. Mr. Verge has more than 30 years of experience in the oil and gas industry and has served as director and Chief Executive Officer and President of NuVista Energy Ltd. from July 2003 to November 2010 and served as a Vice President of Engineering of Bonavista Energy Company and Bonavista Energy Trust (formerly Bonavista Petroleum Ltd.) from January 1998 to June 2003. Prior to joining Bonavista Petroleum Ltd., he worked in the business development group at Poco Petroleum Ltd. and held various engineering positions at Rising Resources, Shell Canada Resources Limited, and Gulf Canada Resources Inc. Mr. Verge is a Member of the Association of Professional Engineers, Geologists & Geophysicists of Alberta. Mr. Verge received a Bachelor of Science degree in Chemical Engineering from the University of Toronto and a Masters of Engineering degree in Chemical and Petroleum Engineering from the University of Calgary.

Howard Crone – Director

Mr. Crone is currently a director of Cequence Energy. From April 9 to July 27th of 2018 Mr. Crone was the interim Chief Financial Officer of Cequence Energy Inc. and was the Executive Vice President and COO from September 2010 to August 2014. Prior thereto, Mr. Crone was the President and CEO of Cequence Energy Ltd. from July 2009 to September 2010. From May 2009 to July 2009, Mr. Crone was President of a privately held oil and gas company. Prior thereto, from July 2004 to May 2009, Mr. Crone was an independent businessman. Prior thereto, from August 2003 to June 2004, Mr. Crone was the Vice President and COO of Cequel Energy Inc., a public oil and gas company. Mr. Crone has been a director of numerous public companies during the past 10 years. Mr. Crone has a Bachelor of Science in Chemical Engineering from the University of Alberta and is also a member of the Association of Professional Engineers and Geoscientists of Alberta.

Dana B. Laustsen – Director

Mr. Laustsen served as Executive Vice President and Chief Operating Officer of GLJ. Mr. Laustsen joined GLJ in 1982 and he later became a principal officer of GLJ in 1994. Mr. Laustsen was employed by Texaco Canada Resources

Ltd. for five years where he received his training in petroleum production and reservoir engineering. Mr. Laustsen's background includes detailed reservoir analyses of primary and enhanced recovery projects, SAGD evaluations, ultimate potential studies, merger and acquisition evaluations, fair market value appraisals and expert witness testimony. Mr. Laustsen has co-authored the water flood section of the Petroleum Society of CIMs Monograph, Determination of Oil and Gas Reserves (Monograph No. 1) and is an author of the Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 2 sections on decline analysis and EOR reserve booking guidelines. He has also published articles in the Journal of Canadian Petroleum Technology on decline analysis. Mr. Laustsen graduated from the University of Calgary in 1977 with a Bachelor of Science (Honors) in engineering and is a life member of the Association of Professional Engineers and Geoscientists of Alberta.

Ryan A. Shay – Director

Mr. Shay has in excess of 20 years of experience in the oil and gas industry and was Managing Director, Head of Investment Banking at Cormark Securities Inc. until he retired therefrom in June 2018. Mr. Shay was a member of Cormark's Executive Committee, Risk Committee, Capital Markets Committee, Compensation Committee, Compliance Committee and Audit Committee. Mr. Shay joined Cormark Securities Inc. in 1999 as an energy research analyst and was promoted to the Executive Committee of the firm in 2000. Mr. Shay transitioned careers from research to investment banking in 2007 and was promoted to Co-Head of Investment Banking in 2010 and Head of Investment Banking in 2013. Mr. Shay began his career in the investment industry with Peters & Co. Limited in 1996, earning his Chartered Financial Analyst designation in 1999 and was formerly with Deloitte & Touche in 1993, earning his Chartered Accountant designation in 1996. Mr. Shay received his Bachelor of Commerce from the University of Saskatchewan and graduated with Great Distinction. Mr. Shay also sits on the boards of Perpetual Energy Inc. (since 2018), Crew Energy Inc. (since 2018), and the National Board of JDRF (since 2011) and is on JDRF's Audit and Finance Committees.

Glenn A. Hamilton – Director

Mr. Hamilton was Corporate Advisor from May 2015 to July 2016, and Senior Vice President and Chief Financial Officer of Bonavista Energy Corporation from 2008 to 2015 and was the Vice President, Finance since 1998. From 1992 to 1997, Mr. Hamilton was Treasurer and Chief Financial Officer of Penn West Petroleum Ltd. Mr. Hamilton has over 35 years of accounting and finance experience in the oil and gas industry and is a Chartered Professional Accountant. He is the chair of the Audit Committee of Journey. In addition to his board responsibilities at Journey, Mr. Hamilton also serves on the Board of Directors of Ember Resources Inc.

Gerald N. Gilewicz – Chief Financial Officer

Mr. Gilewicz serves as the Chief Financial Officer of Journey since September of 2012. Mr. Gilewicz served as Chief Financial Officer and Vice President of Finance at Vero Energy Inc. from November 2005 to August 2012. Previous to that, Mr. Gilewicz served as Vice President of Finance and Chief Financial Officer of Devlan Exploration Inc. from September 1999 to November 2005. Prior to that, Mr. Gilewicz was a Senior Manager at Deloitte & Touche LLP. Mr. Gilewicz is a Chartered Professional Accountant. Mr. Gilewicz received a Bachelor of Commerce in Accounting from the University of Saskatchewan.

Brett Boklaschuk – Vice President, Exploration

Since March 2015, Mr. Boklaschuk has served as Vice President, Exploration at Journey. Prior to that, he served as Manager, Business Development at Journey and as a Senior Geologist at Journey. In addition, Mr. Boklaschuk has served as a Senior Geologist-Montney at Nuvista Energy from 2008 to 2012. Mr. Boklaschuk also served in progressive senior technical roles at Venturion Natural Resources, Cork Exploration, Burlington Resources and Canadian Hunter Exploration. Mr. Boklaschuk received his Bachelor of Science degree from the University of

Saskatchewan in 1995. He has a P.Geol from the Alberta Association of Engineers and Geoscientists of Alberta and is a member of Canadian Society of Petroleum Geologists.

Terry J. Moore – Vice President, Engineering

Mr. Moore serves as Vice President, Engineering of Journey. He previously served as Vice President, Operations and then as Senior Vice President, Engineering at Sword, the predecessor to Journey, from July 2007 to June 2012. Prior to Sword, he held various roles in public companies including Enerplus Resources Fund and private companies including PRL Resources Inc. Mr. Moore has a background in engineering, operations and planning. He received a Bachelor of Applied Science in Mechanical Engineering from the University of Toronto in 1981 and is a member of the Association of Professional Engineers and Geoscientists of Alberta.

Anthony V. Polini – Vice President, Land

Mr. Polini serves as Vice President, Land of Journey. Mr. Polini joined Outrider Energy Ltd. in 2004 and served as its Vice President, Land until early 2009 then continued as Vice President, Land for Vigilant Exploration until the end of 2009. From 1993 to 1997, Mr. Polini worked for PanCanadian Petroleum and Marathon Oil & Gas. Between 1997 and 2004 Mr. Polini served as a Senior Land Negotiator for Koch Petroleum Canada. Mr. Polini is a Senior Oil and Gas Land Negotiator and Acquisition and Divestment Professional and has 26 years of experience and a successful track record in value-added core area growth and asset trading transactions. Mr. Polini received his Bachelor of Commerce, Petroleum Land Management degree at the University of Calgary in 1992, and obtained his Masters of Business Administration from the Consortium Institute of Management and Business Analysis at Clemson University in 1993.

Committees of the Board of Directors

The Company currently has an Audit Committee, a Reserves Committee and a Governance & Compensation Committee.

Share Ownership by Directors and Officers

As a group and as at the date of this AIF, the Company's officers and directors beneficially own or exercise control or direction over, directly or indirectly, 5,247,618 Common Shares, representing approximately 13.4% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except for one executive officer that, within the past ten years, voluntarily entered into an arrangement with a creditor (which was not part of any bankruptcy proceeding) with respect to the repayment of certain non-material outstanding amounts, and except as set out below, to the knowledge of the Company no director or executive officer of the

Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Mr. Crone was a director of Virginia from April 14, 2015 to February 13, 2017. On February 13, 2017 Virginia announced that it had obtained an order from the Court of Queen's Bench of Alberta placing the company into receivership.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain officers and directors of the Company are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Board has adopted a written mandate and terms of reference for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing the Company's financial statements and the Company's public disclosure documents containing financial information and reporting on such review to the Board, ensuring the Company's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of the Company's external auditors, and reviewing, evaluating and approving the internal control and risk management systems that are implemented and maintained by management. A copy of the Audit Committee mandate is attached to this AIF as Appendix "C".

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee consists of Messrs. Hamilton (Chair), Shay and Crone. Each of the members of the Audit Committee is considered "financially literate" and "independent" within the meaning of NI 52-110.

The Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "*Directors and Officers*".

Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member reports to the Audit Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as may be established by the Audit Committee from time to time.

External Audit Service Fees

The following table summarizes the fees paid by the Company to its auditors, KPMG LLP for the 2018 fiscal year and PricewaterhouseCoopers LLP for the 2017 fiscal year, for external audit and other services during the period indicated.

Year	Audit Fees ⁽¹⁾	Audit -Related Fees ⁽²⁾	Tax Fees	All Other Fees
	(\$)	(\$)	(\$)	(\$)
2018	100,000	30,000	-	-
2017	116,000	64,000	-	-

Notes:

- (1) Represents the aggregate fees for services related to the audit of the annual financial statements.
(2) Include aggregate fees billed for assurance and related services related to the review of the Company's quarterly financial statements and in respect of 2017 relates to the audit of an acquisition.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings Journey is or was a party to, or that any of its property is or was the subject of, during Journey's most recent financial year, nor are any such legal proceedings known to Journey to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of Journey.

There are no: (a) penalties or sanctions imposed against Journey by a court relating to securities legislation or by a securities regulatory authority since Journey's inception; (b) other penalties or sanctions imposed by a court or regulatory body against Journey that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements Journey entered into before a court relating to securities legislation or with a securities regulatory authority since Journey's inception.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise set out herein, there is no material interest, direct or indirect, of any: (a) director or executive officer of Journey; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Journey's voting securities; or (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within three years before the date of this AIF that has materially affected or is reasonably expected to materially affect Journey.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that the Company has entered into within the last financial year, or before the last financial year which are still in effect, are the following:

1. the Credit Agreement;
2. the Promissory Notes (2016); and
3. the Promissory Notes (2018).

Copies of the foregoing may be viewed on the SEDAR website at www.sedar.com.

INTERESTS OF EXPERTS

As at the date hereof, the designated professionals of GLJ, the Company's independent reserves petroleum consultants, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

KPMG LLP are the external auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Company's management proxy circular which is expected to be dated April 2019 relating to the annual general meeting of Shareholders to be held on May 22, 2019. Additional financial information is provided in the financial statements and management's discussion and analysis of the Company for the year ended December 31, 2018, which are accessible on the SEDAR website at www.sedar.com.

**APPENDIX “A”
FORM 51-101F2
REPORT ON RESERVES DATA BY INDEPENDENT
QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Journey Energy Inc. (the “**Company**”):

1. We have evaluated the Company’s reserves data as at December 31, 2018. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “**COGE Handbook**”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as at December 31, 2018, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company’s board of directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves (County or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - \$000s)			
			<u>Audited</u>	<u>Evaluated</u>	<u>Reviewed</u>	<u>Total</u>
GLJ Petroleum Consultants	December 31, 2018	Canada	–	491,872	–	491,872

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants,
Calgary, Alberta, Canada,
February 12, 2019

“Original Signed By” “Todd J. Ikeda”

Vice President
GLJ Petroleum Consultants

**APPENDIX “B”
FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE**

Management of Journey Energy Inc. (“**Journey**”) is responsible for the preparation and disclosure of information with respect to Journey’s oil and natural gas activities in accordance with securities regulatory requirements. This information includes reserves data and resources data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018 estimated using forecast prices and costs.

An independent qualified reserves evaluator has audited, evaluated and reviewed and reported on Journey’s reserves data. The reports of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the Board of Directors of Journey has:

- reviewed Journey’s procedures for providing information to the independent qualified reserves evaluator;
- met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- reviewed the reserves data and resources data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed Journey’s procedures for assembling and reporting other information associated with oil and natural gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved

- the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- the content and filing of this report.

Because the reserves data and resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) “*Alex G. Verge*”
Alex G. Verge
President and Chief Executive Officer

(signed) “*Dana B. Laustsen*”
Dana B. Laustsen
Director, and Chairman of the Reserves Committee

(signed) “*Terry Moore*”
Terry Moore
Vice President, Engineering

(signed) “*Howard Crone*”
Howard Crone
Director and member of the Reserves Committee

March 27, 2019

**APPENDIX “C”
AUDIT COMMITTEE MANDATE**

**JOURNEY ENERGY INC.
MANDATE AND TERMS OF REFERENCE**

Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of Journey Energy Inc. (“**Journey**” or the “**Company**”) to which the Board has delegated its responsibility for the oversight of the nature and scope of the annual audit, the oversight of management’s reporting on internal accounting standards and practices, the review of financial information, accounting systems and procedures, financial reporting and financial statements and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Journey and related matters;
2. To provide better communication between directors and external auditors;
3. To enhance the external auditor’s independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) directors of Journey or such greater number as the Board may determine from time to time and all members of the Committee shall be “independent” (as such term is used in National Instrument 52-110 — Audit Committees unless the Board determines that the exemption contained in NI 52 110 is available and determines to rely thereon.
2. The Board of Directors may from time to time designate one of the members of the Committee to be the Chair of the Committee.
3. All of the members of the Committee must be “financially literate” (as defined in NI 52 110) unless the Board determines that an exemption under NI 52 110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52 110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to Journey’s internal control systems:
 - identifying, monitoring and mitigating business risks; and
 - ensuring compliance with legal, ethical and regulatory requirements.

3. Review the annual and interim financial statements of Journey and related management’s discussion and analysis (“**MD&A**”) prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years’ financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses, MD&A, annual information forms (“**AIF**”) and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Journey’s disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. With respect to the appointment of external auditors by the Board:
 - recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Company to determine the auditors’ independence;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and pre approve any non-audit services to be provided to Journey or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.
6. Review with external auditors (and internal auditor if one is appointed by Journey) their assessment of the internal controls of Journey, their written reports containing recommendations for improvement, and management’s response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Journey and its subsidiaries.
7. Review risk management policies and procedures of Journey (e.g. hedging, litigation and insurance).

8. Establish a procedure for:
 - the receipt, retention and treatment of complaints received by Journey regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of Journey of concerns regarding questionable accounting or auditing matters.
9. Maintain and administer the Company's "whistleblower" policy.
10. Review and approve Journey's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of Journey.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Company. The Committee will also have the authority to investigate any financial activity of Journey. All employees of Journey are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at such compensation as established by the Committee and at the expense of Journey without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Company as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Company.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies

on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.

11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.