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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Journey Energy Inc.

Opinion

We have audited the consolidated financial statements of Journey Energy Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and probable oil and gas reserves on the depletion of petroleum and natural gas properties, the estimated fair value of petroleum and natural gas properties acquired in the Medicine Hat, Ante Creek, Kaybob and Ferrier areas of Alberta (the "Acquired Properties") and the deferred tax asset ("DTA")

Description of the matter

We draw attention to note 3, note 4, note 6, note 7 and note 18 to the financial statements. The Entity uses estimated proved and probable oil and gas reserves to deplete its petroleum and natural gas properties included in property, plant and equipment, to estimate the acquisition date fair value of petroleum and natural gas properties acquired in a business combination and to determine if it is probable that future taxable profits will be sufficient to utilize the underlying deductible temporary differences and unused tax losses associated with the DTA.

The Entity depletes its net carrying value of petroleum and natural gas properties by area using the unit-of-production method based on production for the period divided by the estimated total proved and probable oil and gas reserves volumes (before royalties). Estimates of forecasted future development costs necessary for developing the proved and probable oil and gas reserves are included in each area's depletion base. Depletion expense on petroleum and natural gas properties was $28.1 million for the year ended December 31, 2022.

On October 31, 2022, the Entity acquired petroleum and natural gas properties through a business combination. The acquisition date fair value of the Acquired Properties was $127.6 million. The determination of the acquisition date fair value of the Acquired Properties involves significant estimates, including proved and probable oil and gas reserves and the discount rates.

The Entity recognized a DTA of $88.3 million at December 31, 2022. The determination of future taxable income involves significant estimates, including proved and probable oil and gas reserves.

The estimate of proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs

- Forecasted future development costs.

The Entity engages independent third party reserve evaluators to estimate proved and probable oil and gas reserves.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on the depletion of petroleum and natural gas properties, the estimated fair value of the Acquired Properties and the DTA as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the discount rates. Additionally, the assessment of the acquisition date fair value of the Acquired Properties and the measurement of the DTA requires the use of professionals with specialized skills and knowledge in valuation and tax.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of proved and probable oil and gas reserves as at December 31, 2022:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Entity
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators
- We compared the 2022 actual production, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

We assessed the depletion expense calculation for compliance with IFRS as issued by the IASB.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Entity's discount rates for the Acquired Properties by comparing the discount rates to market and other external data
- Assessing the reasonableness of the Entity's estimate of the acquisition date fair value of the Acquired Properties by comparing the Entity's estimate to market metrics and other external data.

We assessed the measurement of the DTA for compliance with IFRS as issued by the IASB.

We involved income tax professionals with specialized skills and knowledge who assisted in evaluating the application of relevant tax laws and regulations and the appropriateness of the Entity's estimate of future taxable profits used in the measurement of the DTA.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Shane Doig.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
March 8, 2023

MANAGEMENT'S REPORT

To the Shareholders of Journey Energy Inc.

Management's Responsibility for the Consolidated Financial Statements:

The accompanying Consolidated Financial Statements of Journey Energy Inc. (the "Company") are the responsibility of Management and have been approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS"). The Consolidated Financial Statements and related financial information reflect amounts, which are based upon informed estimates and judgements of Management with appropriate consideration to materiality. When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management's Assessment of Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Management has established systems for internal controls, which are designed to provide reasonable assurance the Company's assets are safeguarded from loss or unauthorized use and to produce relevant, reliable and timely accounting records for the preparation of financial information to Management. Internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems that have been determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, which is comprised of independent, non-management directors. The Audit Committee meets at least on a quarterly basis to review and approve the Consolidated Financial Statements with Management and the Company's auditors, prior to their release. In addition, the Audit Committee meets annually to review the annual Consolidated Financial Statements and to recommend their approval to the Board of Directors. The Board of Directors has approved the Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by KPMG LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders. KPMG LLP was appointed by a vote of the shareholders at the Company's last annual meeting. The auditors have full and free access to, and meet periodically and separately with, the Audit Committee, and management to discuss their audit findings.

Alex G. Verge
President and Chief Executive Officer

Gerald N. Gilewicz
Chief Financial Officer

Calgary, Canada
March 8, 2023

JOURNEY ENERGY INC.
Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

	Notes	**December 31, 2022**	December 31, 2021
ASSETS			
CURRENT			
Cash		**31,400**	15,359
Restricted cash		**-**	318
Accounts receivable		**29,677**	20,180
Prepaid expenses and deposits		**1,650**	1,049
Total current assets		**62,727**	36,906
Property, plant and equipment	7	**482,082**	313,879
Exploration and evaluation assets	8	**5,383**	6,426
Deferred tax asset	18	**89,003**	-
Total assets		**639,195**	357,211
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**45,496**	20,441
Term debt	10	**48,571**	23,464
Other liability	9	**4,955**	739
Other loans	11	**24,000**	-
Lease obligation	13	**154**	239
Decommissioning liabilities	12	**5,317**	2,943
Total current liabilities		**128,493**	47,826
Term debt	10	**16,671**	40,392
Lease obligation	13	**1,555**	822
Other loans	11	**19,419**	156
Other liability	9	**-**	3,727
Decommissioning liabilities	12	**188,381**	180,012
Total liabilities		**354,519**	272,935
EQUITY			
Share capital	14	**351,485**	305,716
Contributed surplus		**109,505**	109,336
Warrants	15	**3,073**	3,809
Deficit		**(179,387)**	(334,585)
Total equity		**284,676**	84,276
Total liabilities and equity		**639,195**	357,211
Commitments and contingencies	*23*		

The accompanying notes are an integral part of these consolidated Financial Statements.

APPROVED BY THE BOARD

***"Signed"* Steve Smith, Director**

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

JOURNEY ENERGY INC.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021
(in thousands of Canadian dollars, except per share data)

	Notes	2022	2021
REVENUE			
Petroleum and natural gas sales	21(c)	**235,583**	123,843
Processing and other income		**11,368**	10,569
Royalties		**(46,976)**	(19,210)
Total revenue		**199,975**	115,202
EXPENSES			
Operating		**78,684**	52,741
Depletion and depreciation	7	**28,898**	22,645
Finance	17	**14,811**	17,567
General and administrative		**8,854**	3,411
Share based compensation	16	**2,086**	1,009
Transportation		**2,485**	1,385
Impairment reversal of oil and gas assets	7	**-**	(84,957)
Exploration and evaluation	8	**1,946**	1,636
Exploration and evaluation asset impairment	8	**21**	400
Gain on debt modification	9	**(281)**	-
Transaction costs		**1,489**	231
Total expenses		**138,993**	16,068
NET INCOME BEFORE INCOME TAXES		**60,982**	99,134
Deferred income tax recovery	18	**(94,216)**	-
NET INCOME AND COMPREHENSIVE INCOME		**155,198**	99,134
NET INCOME PER SHARE	19		
Basic		**2.95**	2.18
Diluted		**2.64**	1.93

The accompanying notes are an integral part of these consolidated Financial Statements.

JOURNEY ENERGY INC.
Consolidated Statement of Changes in Equity
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2022		305,716	109,336	3,809	(334,585)	84,276
Net income and comprehensive income		-	-	-	155,198	155,198
Equity issued, net of deferred tax and issue costs	14	10,527	-	-	-	10,527
Equity issued on asset acquisition	6(b)	18,150	-	-	-	18,150
Equity issued on corporate acquisition	6(a)	10,920	-	-	-	10,920
Warrants exercised	15	4,318	-	(736)	-	3,582
Share based compensation, net of deferred tax	16,18	-	2,170	-	-	2,170
Exercise of stock options		271	(94)	-	-	177
Settlement of RSU's, PPSU's and SPSU's	16	1,583	(1,907)	-	-	(324)
Balance, December 31, 2022		**351,485**	**109,505**	**3,073**	**(179,387)**	**284,676**

	Notes	Share Capital	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, January 1, 2021		300,758	109,330	3,809	(433,719)	(19,822)
Net income and comprehensive income		-	-	-	99,134	99,134
Equity issued on acquisition		4,165	-	-	-	4,165
Share based compensation		-	1,009	-	-	1,009
Settlement of RSU's, PPSU's and SPSU's		793	(1,003)		-	(210)
Balance, December 31, 2021		305,716	109,336	3,809	(334,585)	84,276

JOURNEY ENERGY INC.
Consolidated Statement of Cash Flows
For the years ended December 31, 2022 and 2021
(in thousands of Canadian dollars)

	Notes	**2022**	2021
CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:			
OPERATING			
Net income and comprehensive income		**155,198**	99,134
Adjustments for:			
Other income	12	**(1,240)**	(2,879)
Share based compensation	16	**2,086**	1,009
Depletion and depreciation	7	**28,898**	22,645
Gain on debt modification	9	**(281)**	-
Exploration and evaluation asset impairment	8	**21**	400
Oil and gas asset impairment reversal	7	**-**	(84,957)
Changes in fair value other liability	9	**1,239**	2,523
Accretion of decommissioning liabilities	12	**4,443**	3,275
Accretion of lease obligations	13	**137**	123
Accretion of term debt	10	**1,142**	1,558
Deferred financing charge	17	**525**	2,478
Deferred income tax recovery	18	**(94,216)**	-
Exploration and evaluation	8	**1,946**	1,636
Capitalized interest		**-**	2,916
Decommissioning costs	12	**(3,796)**	(2,433)
Change in non-cash working capital	21(a)	**10,521**	(6,498)
Total cash flow provided by operating activities		**106,623**	40,930
FINANCING			
Repayment of other liability		**(750)**	-
Common shares issued, net of issue costs	14	**14,596**	-
Other loans		**(1,737)**	156
Repayment of term debt		**-**	(25,000)
Settlement of RSU's, PPSU's and SPSU's		**(324)**	(210)
Exercise of stock options		**177**	-
Lease payments	13	**(343)**	(355)
Total cash flow (used) provided by financing activities		**11,619**	(25,409)
INVESTING			
Additions to petroleum and natural gas properties	7	**(43,652)**	(2,563)
Additions to exploration and evaluation assets	8	**(552)**	(334)
Additions to administrative assets	7	**-**	(70)
Acquisition of producing petroleum and natural gas assets and exploration and evaluation assets	6,7,8	**(57,525)**	(1,877)
Corporate acquisition		**(7,760)**	(2,530)
Disposition of producing petroleum and natural gas assets and exploration and evaluation assets	7	**3,000**	47
Restricted cash		**318**	-
Change in non-cash working capital	21(a)	**3,970**	575
Total cash flow used in investing activities		**(102,201)**	(6,752)
NET DECREASE IN CASH		**16,041**	8,769
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**15,359**	6,590
CASH AND CASH EQUIVALENTS, END OF YEAR		**31,400**	15,359
Supplementary cash flow information	19(b)		

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. INCORPORATION AND NATURE OF BUSINESS

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

These consolidated financial statements (the "Financial Statements") present the results of operations for the Journey group of companies. Journey is comprised of the following entities: the Company and its wholly owned subsidiaries, Journey Energy Partnership and 1332993 Alberta Ltd.

The registered address of Journey is 2400, 525 8th Avenue SW Calgary, Alberta, Canada and the corporate head office is located at 700, 517-10th Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

a) Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of the Company were authorized by the Board of Directors March 8, 2023.

b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except as disclosed in the accounting policies in Note 3. The methods used to measure fair values of derivative instruments are discussed in note 20.

c) Functional and presentation currency and share data

The consolidated financial statements are presented in Canadian Dollars, the Company's functional currency and all amounts are rounded to the nearest thousand ($'000) except where otherwise indicated. Share data is presented in thousands of shares except for per share data. The consolidated financial statements have, in management's opinion, been prepared using careful judgment within the framework of the significant judgments, estimates and assumptions summarized in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

b) Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

c) Joint arrangements

Many of Journey's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These consolidated financial statements reflect only Journey's share of these jointly controlled assets, and once production commences, a proportionate share of relevant revenue and related costs.

d) **Revenue recognition**

Revenue is comprised of the fair value of the consideration received or receivable from the sale of natural gas and crude oil products in the ordinary course of the Company's activities and is recognized when control is transferred to the purchaser. This is generally met when title passes from the Company to its customer. Revenue from oil and gas production represents the Company's share, net of royalty payments to governments and freehold interest owners.

e) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Journey Energy Partnership and 1332993 Alberta Ltd. (collectively "Journey Energy Inc."). The Company's subsidiaries include both incorporated and unincorporated entities, such as the partnership, for which the Company has the power to govern financial and operating policies. All intercompany transactions and balances are eliminated on consolidation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

f) Oil and natural gas exploration, evaluation and development expenditures

i) Pre-exploration expenditures

Expenditures made by the Company during the geological and geophysical evaluation phase and before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed by the Company as incurred.

ii) Exploration and evaluation expenditures ("E&E")

Costs incurred after obtaining the rights to explore are capitalized as E&E intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include, but are not limited to, exploration license expenditures, leasehold acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centers by property and are not subject to depletion until technical feasibility and commercial viability has been determined. If no reserves are found, the exploration asset is tested for impairment and if necessary, an impairment charge recognized as exploration and evaluation expense in the statement of comprehensive income may be taken. If extractable hydrocarbons are found and likely to be commercially developed, the costs will continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. The technical feasibility and commercial viability of extracting a hydrocarbon is considered determinable when proven or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven or probable reserves have been discovered and to confirm the continued intent to develop or otherwise extract value from the discovery. Upon determination of proven or probable reserves, exploration and evaluation assets attributable to those reserves are tested for impairment and reclassified from exploration and evaluation assets to oil and natural gas interest within property, plant and equipment. Expired lease costs are expensed as part of exploration and evaluation expense as they occur.

iii) Development and production costs

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. The cost of development and production assets includes: transfers from exploration and evaluation assets, which generally include the cost to drill development wells, including unsuccessful development or delineation wells, and the cost of associated land upon determination of technical feasibility and commercial viability; installation or completion of infrastructure facilities including the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads; are all capitalized within Cash Generating Units ("CGUs") unless impaired. Development and production assets are grouped into CGUs for impairment testing. As at December 31, 2022 the Company has the following CGUs: Power Generation, Pine Creek, Pembina, Matziwin, Herronton, Skiff, Gilby, Crystal, Cherhill, Medicine Hat, Non-core and Countess.

iv) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of comprehensive income as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proven and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Income as incurred.

v) Depletion and depreciation

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The net carrying value of petroleum and natural gas properties is depleted using the unit-of-production method based on production for the period divided by the Company's estimated total proved and probable oil and natural gas reserve volumes (before royalties) for that area. Production and reserves volumes for natural gas are converted at the energy equivalent of six thousand cubic feet of natural gas to one barrel of oil. Estimates of future development costs for developing the proved and probable reserves are included in each area's depletion base.

Significant natural gas processing plants included in petroleum & natural gas properties are depreciated using the straight-line method over the expected useful life. The estimated useful lives for depreciable assets are as follows:
Power generation assets: 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date by management.

vi) Dispositions

Gains or losses are recognized on dispositions of property, plant and equipment and certain exploration and evaluation assets including asset swaps, farm-out transactions and complete dispositions. The gain or loss is measured as the difference between the fair value of the proceeds received, net of costs to sell, and the carrying value of the assets disposed, including capitalized asset decommissioning costs, unless the transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up can be reliably measured. When fair value is not used, the carrying amount of the asset given up is used as the cost of the asset acquired.

g) Impairment

I. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if the evidence indicates that one or more events have had a negative impact on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss in the period that the impairment is determined to have occurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of comprehensive income.

In relation to trade receivables, the Company employs an expected credit loss policy to derive the provision for impairment by risking outstanding accounts receivable to recognize an expected loss amount on the outstanding balance. Provisions for uncollectable amounts are also recorded when there is objective evidence (such as financial difficulty or the probability of default by the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

II. Non-financial assets

The carrying amounts of the Corporation's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment or impairment reversal. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment and impairment reversal testing of property, plant and equipment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are allocated to CGUs or groups of CGUs for the purposes of assessing such assets for impairment.
The recoverable amount of an asset or a CGU is the greater of its "value-in-use" and its "fair value less costs of disposition". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less costs of disposition is assessed utilizing market valuation based on an arm's length transaction between active participants. In the absence of any such transactions, fair value less costs of disposition is estimated by discounting the expected after-tax cash flows of the CGUs at an after-tax discount

rate that reflects the risk of the properties in the CGUs. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a prospective buyer of the CGU would be entitled. The carrying value of the CGUs is reduced by the deferred tax liability associated with its property, plant and equipment.

Impairment losses and reversals of previous impairments on property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Income as impairment expense (recovery) and are separately disclosed. An impairment of exploration and evaluation assets is recognized as exploration and evaluation expense in the Consolidated Statement of Comprehensive Income.

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

<u>Decommissioning liability</u>

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. A decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made as at the Consolidated Statement of Financial Position date by management. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value using a risk-free interest rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is recognized as accretion expense within finance expenses. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent that the provision was recognized.

i) Share based compensation

The Company has a stock option plan under which the entity may grant employees and directors the option to purchase common shares of the Company. The Board of Directors and shareholders have approved a policy of reserving up to 10% of the outstanding common shares. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary date of the grant. The Company accounts for stock options granted using the fair-value method, which estimates the value of the options at the grant date using a Black Scholes pricing model. The fair value thus established is recognized as compensation expense over the service period with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

The Company also has an award plan comprised of the Restricted Stock Unit "RSU" plan, the Peer Performance Stock Unit "PPSU" plan and the Share Performance Stock Unit "SPSU" (the "Award Plan"). Under this plan, the Company may grant employees, directors and consultants RSU's and or PPSU's and SPSU's that vest over three year periods from the date of issuance. The PPSU plan and SPSU plan also contain a performance multiplier that ranges from zero to two hundred percent based on the Company's performance relative to a defined group of companies that are considered by Journey's compensation consultant to be a suitable compensation peer group or, in the case of the SPSU's the share price performance is measured against a set reference price stipulated in the SPSU agreement. Awards granted under the Award Plan, may be settled in cash or in shares. As the Corporation generally intends to settle the awards in shares, the plan is considered and accounted for as "equity-settled". Share based compensation expenses related to RSU's, PPSU's and SPSU's are determined by the fair value method. Fair value is determined by using the market price of Journey shares on the date of issuance. For PPSU's and SPSU's the grant date fair value also incorporates the market conditions with the grants. The fair value is then recognized as compensation expense over the vesting period with an equivalent increase to contributed surplus. When the RSU's, PPSU's or SPSU's vest or Stock Options are exercised, the appropriate number of common shares are then issued to the service providers and the contributed surplus is transferred to share capital. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of units that actually vest.

j) Finance income and expenses

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance expense is comprised of: interest expense on borrowings, term debt, accretion of the discount rate on provisions and lease obligations, expense or recovery on other liability and impairment losses recognized on financial assets.

k) Deferred income taxes

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized and the carry forward of unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they will be realized simultaneously.

l) Leases

Leases are recognized as a right-of-use ("ROU") asset with a corresponding liability at the date of which the leased asset is available for use by the Corporation. Each lease payment is allocated between the lease liability and finance expense. The finance expense is charged to the Statement of Comprehensive Income over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. ROU assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date and any initial direct costs and restoration costs. Lease liabilities include the net present value of fixed payments, less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation's incremental borrowing rate if the implicit rate cannot be determined.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. The Corporation applies a single discount rate to portfolios of leases with similar characteristics.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will re-measure the lease liability using the Corporation's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in the Statement of Comprehensive Income that reflects the proportionate decrease in scope.

m) Basic and diluted per share calculations

Basic net income per share is calculated by dividing the net income attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as Performance Share Units and Stock Options using the treasury stock method. Under the treasury stock method, only "in-the-money" dilutive instruments impact the diluted calculations in computing diluted per share amounts.

n) Financial instruments

All financial instruments, including all derivatives, are recognized on the Consolidated Statement of Financial Position initially at fair value. Subsequent measurement of financial assets and liabilities depends on the classification of the item as discussed below. The Company uses the following classifications for its financial instruments:

Financial asset or liability	Measurement
Cash and cash equivalents	Amortized cost
Accounts receivable and accrued revenues	Amortized cost
Prepaid expenses and deposits	Amortized cost
Derivative assets and liabilities	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Term debt and other loans	Amortized cost
Other liability	Fair value through profit or loss

Transaction costs attributable to financial instruments recorded at amortized cost are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument using the effective interest rate method.

The Company uses, from time to time, financial derivatives and non-financial derivatives, such as commodity sales contracts requiring physical delivery, to manage the price risk attributable to anticipated sale of petroleum and natural gas production and foreign exchange exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes. Journey has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, financial derivatives are classified as fair value through the statement of comprehensive income and are recorded on the Consolidated Statement of Financial Position at fair value.

The Company accounts for any physical sales and purchase contracts as executory contracts and as such are not recorded at fair value on the Consolidated Statement of Financial Position. Settlements on these physical sales contracts are recognized in petroleum and natural gas sales.

Derivatives embedded in financial liabilities recorded at amortized cost are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination.

Financial instruments measured at fair value on the Consolidated Statement of Financial Position require classification into one of the following levels of the fair value hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Inputs for the asset or liability that are not based on observable market data. Journey has no assets or liabilities that use level 3 inputs.

The Company has categorized its financial instruments on the Consolidated Statement of Financial Position according to the fair value hierarchy above (Note 19).

o) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are deducted in reporting the related expense and are recorded as other income in the period in which eligible expenses were incurred or when the services have been performed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

I. Accounts receivable

Accounts receivable are recorded at the estimated recoverable amount, which involves an estimate of uncollectible amounts.

II. Derivatives

The fair value of derivative contracts are based on published market prices as at the Consolidated Statement of Financial Position date and may differ from what will eventually be realized. Changes in the fair value of the derivative contracts are recognized in the statement of comprehensive income. The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices.

III. Oil and gas reserves

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

i) Forecasted oil and gas prices, operating costs, royalty costs, future development costs and/or future production volumes and recovery rates can materially affect the estimated cash flows associated with proven and probable oil and gas reserves. Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available.

ii) Estimated forward commodity prices are used in the reserve report. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather and economic and geopolitical factors.

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

IV. Depletion and depreciation

Depletion of oil and gas properties is provided using the unit-of-production method and is based on sales volumes (before royalties) in relation to total estimated proved and probable reserves as determined by internal reserve evaluations for the first three quarters of the year and then at year-end by the Company's independent third party reserve evaluators. Natural gas reserves and sales volumes are converted at an assumed energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion of oil and gas properties including production equipment and

facilities are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated net realizable value of production equipment and facilities after the reserves are fully produced. Exploration and evaluation costs are excluded from depletion calculations.
The calculation of the unit-of-production rate of amortization could be impacted to the extent that the actual sales volume in the future is different from current forecast sales volume. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

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

V. Exploration and evaluation ("E&E") assets

The decision to transfer assets from E&E to property, plant and equipment is based on the estimated proved and probable reserves, which are in part used to determine a project's technical feasibility and commercial viability.

VI. Impairment and impairment recoveries

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to dispose. These calculations require the use of estimates and assumptions including information on forecasted oil and gas commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development costs, operating costs and royalty costs. Key assumptions in the determination of cash flows from reserves include reserves estimated by the Company's independent third party reserve evaluators or for interim reporting the Company's internal reserve evaluators. It is possible that any or all of these key assumptions may change which may then impact the estimated values of the oil and gas properties and then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. Significant management judgement is required to analyse internal and external indicators of impairment or historical impairment reversals. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

VII. Cash Generating Unit ("CGU") definition

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

VIII. Decommissioning costs

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

IX. Share based compensation

The fair value of stock options granted are measured using a modified Black-Scholes pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option, the expected volatility of the Company's shares, the expected life of the options and warrants, expected dividends and the risk-free rate of return. Where applicable, the expected volatility considers the historical volatility in the price of Journey's publicly traded common shares over a period similar to the life of the equity grant, and in Management's opinion, is indicative of future trends. The expected life of the options is based on historical experience and estimates of the holder's behaviour. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest.

X. Income taxes

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences and unused tax losses will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from proved and probable oil and gas reserves, as determined by the external reserve evaluator and the application of existing tax laws in each jurisdiction in which the Company operates.

XI. Business Combinations

The determination of whether a transaction is a business combination or an asset acquisition is based on Management's assessment of each individual transaction based on the criteria outlined in IFRS 3. If determined to be a business combination the Company applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, the liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction. The determination of the acquisition date fair value of the petroleum and natural gas properties acquired in a business combination involves significant estimates including associated proved and probable oil and gas reserves and the discount rates applied.

5. CHANGING REGULATIONS

Regulations impacting climate and climate related matters are evolving constantly. In response to environmental, social and governance ("ESG") and climate reporting The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal of developing sustainability standards that are globally consistent, comparable and reliable. The Canadian Securities Administrator recently issued proposed National Instrument 51-107 Disclosure of Climate-related Matters. The impact and cost to comply with proposed standards has not been quantified.

6. ACQUISITIONS

The following acquisitions were completed in 2022 and 2021 and accounted for as business combinations under IFRS 3:

a) Corporate

Effective April 1, 2022 Journey acquired all of the issued and outstanding shares of a private company for total consideration of $18,920. The consideration was comprised of $8,000 in cash and 1,750 thousand Journey common shares valued at $6.24 per share on the closing day. This acquisition contributed $13,363 to revenue and $7,122 to net income before tax for the post acquisition period.

Had the acquisition closed on January 1, 2022 the effect on revenue would have been $17,737 and net income before tax would have been $9,453 for the year ended December 31, 2022. The amounts below are based on Management's preliminary estimates of fair value at the time of preparation of these financial statements based on the best available information. Amendments may be made to these amounts as the values subject to estimation are finalized. The following table summarizes the net assets acquired and the total consideration paid.

Preliminary fair value of net assets acquired	**$**
Cash	**240**
Working capital	**(466)**
Petroleum and natural gas properties	**26,430**
Deferred tax liability	**(4,811)**
Decommissioning obligations	**(2,473)**
Net assets acquired	**18,920**
Consideration:	
Cash	**8,000**
Share consideration	**10,920**
Total consideration	**18,920**

b) Petroleum and natural gas assets

On October 31, 2022 Journey acquired petroleum and natural gas assets located in the Medicine Hat, Ante Creek, Kaybob and Ferrier areas of Alberta. The consideration was comprised of $49,315 in cash, a Vendor Take Back ("VTB") loan of 45,000 and 3,000 Journey common shares valued at $6.05 per share on the closing day. This acquisition contributed $13,327 to revenue and $4,571 to net income before tax for the post acquisition period. Had the acquisition closed on January 1, 2022 the effect on revenue would have been $79,741 and net income before tax would have been $27,349 for the year ended December 31, 2022. The following table summarizes the net assets acquired and the total consideration paid. The amounts below are based on Management's preliminary estimates of fair value at the time of preparation of these financial statements based on the best available information. Amendments may be made to these amounts as the values subject to estimation are finalized. The following table summarizes the net assets acquired and the total consideration paid.

Preliminary fair value of net assets acquired	**$**
Petroleum and natural gas properties	**127,586**
Decommissioning obligations	**(15,121)**
Net assets acquired	**112,465**
Consideration:	
Cash	**49,315**
Vendor take back loan	**45,000**
Share consideration	**18,150**
Total consideration	**112,465**

c) Corporate

On August 18, 2021 Journey acquired all of the issued and outstanding shares of a private company for total consideration of $7,065. The consideration was comprised of $2,900 in cash and 3,500 Journey common shares valued at $1.19 per share on the closing day. This acquisition contributed $1,055 to revenue and $313 to net income before tax for the post acquisition period. Had the acquisition closed on January 1, 2021 the effect on revenue would have been $5,460 and the impact on net income before tax would have been $1,635.

Fair value of net assets acquired	$
Cash	**370**
Restricted cash	**318**
Other working capital	**203**
Petroleum and natural gas properties	**9,700**
Decommissioning obligations	**(3,526)**
Net assets acquired	**7,065**
Consideration:	
Cash	**2,900**
Shares	**4,165**
Total consideration	**7,065**

7. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Right of use assets	Power	Other	Total
Balance, January 1, 2021	1,308,701	3,840	6,802	4,340	1,323,683
Additions	2,359	38	204	70	2,671
Property acquisitions	12,307	-	-	-	12,307
Changes in decommissioning obligations	(25,849)	-	-	-	(25,849)
Dispositions	(40)	(15)	-	-	(55)
Transfer to exploration and evaluation assets	(101)	-	-	-	(101)
Balance, December 31, 2021	1,297,377	3,863	7,006	4,410	1,312,656
Additions	40,836	854	2,816	-	44,506
Acquisitions	162,469	-	-	-	162,469
Changes in decommissioning obligations	(7,041)	-	-	-	(7,041)
Dispositions	(3,000)	-	-	-	(3,000)
Transfer from exploration and evaluation assets	167	-	-	-	167
Balance, December 31, 2022	**1,490,808**	**4,717**	**9,822**	**4,410**	**1,509,757**

Accumulated Depletion, Depreciation and Impairment losses	Petroleum and natural gas properties	Right of use assets	Power	Other	Total
Balance, January 1, 2021	(1,054,249)	(2,566)	(87)	(4,187)	(1,061,089)
Provision for the year	(21,900)	(359)	(340)	(46)	(22,645)
Impairment reversal	84,957	-	-	-	84,957
Balance, December 31, 2021	(991,192)	(2,925)	(427)	(4,233)	(998,777)
Provision for the year	(28,143)	(369)	(340)	(46)	(28,898)
Balance, December 31, 2022	**(1,019,335)**	**(3,294)**	**(767)**	**(4,279)**	**(1,027,675)**

Carrying Amounts	Petroleum and natural gas properties	Right of use assets	Power	Other	Total
January 1, 2021	254,452	1,274	6,715	153	262,594
December 31, 2021	306,185	938	6,579	177	313,879
December 31, 2022	**471,473**	**1,423**	**9,055**	**131**	**482,082**

Future development costs on reserves of $249,924 (December 31, 2021 - $164,307) were included in the depletion calculation. During the years ended December 31, 2021 and 2022, the Company did not capitalized any salary, wages and benefits, or share based compensation expense that was directly related to developmental drilling activities.

Journey had various minor acquisitions and dispositions in the year ended December 31, 2022 in Skiff CGU, Crystal CGU, Pembina CGU and Gilby CGU for total net expenditure of $4,671 (2021 - $40).

Impairment assessment - 2022

At December 31, 2022, the Company assessed whether there were indicators of impairment. The assessment factors in the following criteria: changes in reserves including reserves acquired during the year; changes in forecasted commodity prices from the previous reserve report; interest rates; the health of the oil and gas industry; the status of the general economy; well performance; and near-term development plans. At December 31, 2022 it was determined that a test for impairment or impairment reversal was not required.

Impairment assessment - 2021

At September 30, 2021, the Company assessed whether there were internal or external indicators that its CGUs may be impaired or that historical impairment may be reversed. The assessment factored in reserves, change in commodity prices year over year and changes in forecasted commodity prices, interest rates, health of the sector and the general economy, well performance and near-term development plans. It was determined that there were indicators for impairment reversals for the Matziwin, Skiff, Herronton, Gilby and Cherhill Cash Generating Units ("CGU's") and as a result, the CGU's were tested for impairment reversal. Management determined that the recoverable amount for the CGU's that were tested had significantly exceeded their carrying amount and therefore impairment reversals were calculated. The recoverable amount was calculated as the fair value of the assets less costs of disposal in an assumed asset sale. The fair value less costs of disposal was determined using a discounted cash flow approach based on the September 30, 2021 internal reserve evaluation of proved plus probable reserves and using an average of three major independent reserve engineer's forecast commodity prices. Journey used an after-tax risk adjusted discount rate that was based on the nature of the assets held in the CGU to determine the fair value at the measurement date.

The table below summarizes the benchmark prices for the next thirteen years used in preparing the Company's September 30, 2021 internal reserve evaluation.

	WTI Cushing Oklahoma ($US/bbl)	MSW Light Edmonton 40 API ($CDN/bbl)	Alberta AECO-spot ($CDN/mmbtu)	Foreign Exchange ($US/$CDN)
2021	75.17	89.62	4.57	0.7950
2022	71.00	83.72	3.83	0.7983
2023	67.77	79.06	3.25	0.8000
2024	65.57	76.18	2.99	0.8000
2025	66.88	77.70	3.05	0.8000
2026	68.22	79.25	3.11	0.8000
2027	69.58	80.84	3.18	0.8000
2028	70.97	82.46	3.24	0.8000
2029	72.39	84.10	3.31	0.8000
2030	73.84	85.79	3.37	0.8000
2031	75.31	87.50	3.44	0.8000
2032	76.82	89.25	3.51	0.8000
2033	78.36	91.04	3.58	0.8000

The annual escalation rate used after 2034 is 2.0%.

CGU description	Recoverable amount	Risk adjusted discount rate	Impairment reversal
Matziwin	52,385	15.0	24,396
Gilby	42,479	15.0	38,043
Herronton	13,601	15.0	9,389
Cherhill	36,046	15.0	7,371
Skiff	42,652	15.0	5,758
	187,163		84,957

The impairment reversal in these five CGU's was primarily attributable to the increase in oil and natural gas prices as used in the internal reserve evaluation. A one percent increase in the assumed discount rate would result in a reduction of the impairment reversal by $588 for 2021 while a ten percent decrease in future planned cash flows would have decreased the impairment reversal for 2021 by $1,372.

8. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the Company's exploration projects, which are pending the determination of proven or probable reserves. For the year ended December 31, 2022 $167 was transferred to property, plant and equipment. For the year ended December 31, 2021 $101 was transferred from property, plant and equipment. Management determined that the fair value less costs of disposal of certain undeveloped lands had declined below Journey's carrying values and consequently an impairment of $21 (2021 - $400) was realized.

Balance, January 1, 2021	7,629
Additions	334
Dispositions	(7)
Acquisitions	405
Lease expiries and expense	(1,636)
Transfer from property, plant and equipment	101
Impairment	(400)
Balance, December 31, 2021	6,426
Additions	552
Acquisitions	539
Lease expiries and expense	(1,946)
Transfer to property, plant and equipment	(167)
Impairment	(21)
Balance, December 31, 2022	**5,383**

9. BANK DEBT AND OTHER LIABILITY

a) Bank debt

Journey has a demand operating loan (overdraft) of $1,500 with a chartered bank of which there was no amount drawn as at December 31, 2022 and 2021. Any advances under this agreement bear interest at a rate of 2.5 percent above the banks' prime lending rate. The overdraft is secured by a general security agreement over certain tangible field facilities of the Company.

b) Other liability

On October 30, 2020, Journey secured a $38,000 term-debt facility to fund the purchase of its $75,000 credit facility with its syndicate of first-lien lenders. In addition to the initial $38,000 payment to the syndicate, Journey is contingently liable to pay a maximum of $5,750 over a three year period with the annual payments dependent on both an annual maximum, and the achievement of specified price ranges for mixed, sweet, blended oil prices at the Edmonton, Alberta hub as reported by Natural Resources Canada. The fair value of the contingent liability is shown in the Consolidated Statement of Financial Position as "Other Liability". The payment related to 2021 was a maximum of $750; for 2022 it is a maximum of $2,250; and for 2023 the payment is capped at the remainder owing on the maximum total obligation of $5,750. The settlement of the bank debt resulted in the recognition of a gain of $35,664 in 2020 as shown in the table below. The Company calculated the fair value of the contingent payment as at October 30, 2020 at $1,336 based on forward commodity price forecast and assessed risk and volatility.

The contingent liability bears no interest. At December 31, 2022 the Company estimated the fair value of the contingent liability to be $4,955 (December 31, 2021 - $4,466). The change in fair value of this ability was recorded in the statement of comprehensive income as finance expense. As part of the asset acquisition (note 6(b)) and to obtain consent from the former syndicate of lenders, Journey repaid the entire remaining $5,000 principal value of the contingent liability on January 31, 2023.

The table below summarizes the change in fair value for the Other Liability:

	$
Fair value at January 31, 2021	1,943
Increase in fair value for period	2,523
Fair value at December 31, 2021	4,466
Payments made during period	**(750)**
Increase in fair value for period	**1,239**
Fair value at December 31, 2022	**4,955**

10. TERM DEBT

A summary of the Company's term debt outstanding as at the respective year ends is as follows:

	December 31, 2022	December 31, 2021
Tranche:		
1 - matures October 31, 2023	**24,700**	24,700
2 - matures March 31, 2023 (i)	**23,817**	23,817
5 - matures October 31, 2024	**13,580**	13,580
6 - matures October 31, 2024	**5,483**	5,483
Unamortized financing costs	**(2,338)**	(3,724)
Total	**65,242**	63,856
Current portion of term debt	**(48,571)**	(23,464)
Long term portion of term debt	**16,671**	40,392

(i) On October 31, 2022 concurrent with closing of an acquisition (Note 6(b)), the maturity date of this tranche was amended from September 30, 2022 to March 31, 2023. As a result of this extension the Company realized a gain on the modification of the term debt maturity date of $281.

The continuity of the first two tranches of term debt is as follows:

	Tranche 1	Tranche 2	**Total**
Balance, January 1, 2021	23,964	22,159	46,123
Capitalized interest	1,333	870	2,203
Accretion	(215)	401	186
Amortization of deferred issuance expenses	26	34	60
Balance, December 31, 2021	25,108	23,464	48,572
Debt modification	-	(281)	**(281)**
Accretion	(238)	467	**229**
Amortization of deferred finance costs	26	25	**51**
Balance, December 31, 2022	**24,896**	**23,675**	**48,571**

On October 30, 2020, Journey secured a $38,000 of term debt from AIMCo to fund the settlement of the $75,000 credit facility with its syndicate of first-lien lenders. The $38,000 of term debt was provided in three tranches. The first was for $15,000; bore interest at 11.5% per annum; and matured on December 31, 2021. The maturity was originally set at December 31, 2020 to coincide with the disposition of assets in Countess, Alberta. Due to the short maturity date of this debt, the fair value at the date of the loan was issued, was determined to be equal to its principal amount. The agreement for the sale of assets was terminated on March 1, 2021 and AIMCo extended the maturity to December 31, 2021. Journey repaid this tranche in full on October 28, 2021. The second tranche was for $10,000; matured on October 31, 2021 and bore interest at 9.0% per annum, this tranche was repaid in full September 28, 2021. The fair value of this tranche was determined using an effective rate of 15.0%. The third tranche has a principal amount of $13,000, and matures on October 31, 2024. This tranche bears interest of 9.0% in year one, 9.85% in year two and 12.95% for years three and four. The fair value of this tranche was determined using an effective interest rate of 20.0%.

In consideration for the 2020 term debt advances Journey issued AIMCo five million share-purchase warrants (Note 15), and a $5,350 commitment fee loan (tranche 6). The commitment fee loan is payable on October 30, 2024 and bears interest at rates which are dependent upon Edmonton mixed sweet reference oil prices. Below $65 per barrel the loan bears no interest. Between $65 and $80 per barrel, the loan bears interest at 5.0% per annum and if oil prices exceed $80 per barrel the loan bears interest at 10.0% per annum.

	Tranche 3	**Tranche 4**	**Tranche 5**	**Tranche 6**	**Total**
Balance, January 31, 2021	14,271	8,297	7,863	5,350	35,781
Repayments	(15,000)	(10,000)	-	-	(25,000)
Capitalized interest	-	-	580	133	713
Accretion	-	488	884	-	1,372
Amortization of deferred finance costs	729	1,215	474	-	2,418
Balance, December 31, 2021	-	-	9,801	5,483	15,284
Accretion	-	-	913	-	**913**
Amortization of deferred finance costs	-	-	474	-	**474**
Balance, December 31, 2022	**-**	**-**	**11,188**	**5,483**	**16,671**

All tranches of the term debt are secured by a floating charge debenture over all of the Company's assets. There is a financial covenant that requires the Company to maintain its Liability Management Rating greater than 1.50. In addition, there are certain standard non-financial covenants in the term debt agreement. Journey is in compliance with all covenants as at December 31, 2022. Journey anticipates compliance with the LMR threshold throughout 2023.

11. OTHER LOANS

a) Vendor Take Back ("VTB")

As part of the acquisition of petroleum and natural gas assets that closed October 31, 2022 (note 6(b)) the vendor granted Journey the VTB loan in the amount of $45,000. The loan bears interest at 10.0% per annum and is to be paid with the scheduled monthly payments that commenced December 1, 2022. The monthly repayment amount is determined by the monthly oil price of West Texas Intermediate ("WTI") for the relevant month on a per barrel basis. If the monthly WTI price is equal to or in excess of $100 USD per barrel the monthly repayment is $4,000 plus accrued interest on principle balance. If the monthly WTI price is equal to or in excess of $85 USD per barrel but less than $100 USD per barrel the monthly repayment is $3,000 plus accrued interest on principle balance. If the monthly WTI price is equal to or in excess of $70 USD per barrel but less than $85 USD per barrel the monthly repayment is $2,000 plus accrued interest on principle balance. If the monthly WTI price is below $70 USD per barrel the monthly repayment is $1,000 plus accrued interest on principle balance. The loan is secured by the oil and natural gas properties acquired from the vendor. Because the monthly repayment amounts can fluctuate with WTI prices, the categorization of this debt between current and long term was made on the basis of future strip WTI oil prices.

b) Government loan

As part of the Canadian federal government's COVID assistance plans companies could apply for partially forgivable, emissions reduction based, interest free loans. The December 31, 2022 balance is $419.

The table below summarizes the activity for other loans:

	$
Balance January 1, 2021	-
Government loan	156
Balance at December 31, 2021	**156**
Government loan	263
Vendor take back loan	45,000
Repayments of vendor take back loan	(2,000)
Balance at December 31, 2022	**43,419**
Current portion of other loans	(24,000)
Long term portion of other loans	19,419

12. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from the net ownership interests of petroleum and natural gas assets, which include well sites, pipelines, processing facilities and oil batteries. The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning liabilities at December 31, 2022 to be $259,615 (December 31, 2021 - $176,460) the majority of which, will be incurred at various times between 2023 and 2058. The present value of the future liability at December 31, 2022 has been discounted using a real interest rate of 1.2% (2021 – minus 0.1%), which is comprised of a risk-free discount rate of 3.3% (2021 – 1.7%) less an assumed inflation rate of 2.1% (2021 – 1.8%). Settlement of the decommissioning liabilities will be funded from general corporate funds at the time of retirement or removal. As at December 31, 2022, no funds have been set aside to settle these obligations.

Changes to decommissioning liabilities during the years ended December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Balance, at beginning of year	**182,955**	206,179
Incurred on development activity during the period	**606**	-
Obligations acquired during year	**18,376**	4,662
Revaluation of obligations acquired during the year(1)	**44,060**	9,333
Obligations disposed of during the year	**(944)**	-
Obligations settled during the year	**(3,796)**	(2,433)
Obligations settled through government grants(2)	**(1,240)**	(2,879)
Revisions to estimates	**2,228**	
		(23,450)
Changes in discount rate	**(52,990)**	(11,732)
Accretion	**4,443**	3,275
Balance, at end of year	**193,698**	182,955
Current provision	5,317	2,943
Non-current provision	188,381	180,012

(1) These amounts relate to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the dates of acquisition, the fair value of the decommissioning liabilities acquired was calculated using a credit adjusted risk free rate ranging from 10.0% to 11.5%.

(2) Funding earned through the Alberta Government Site Rehabilitation Program is recognized as "Other Income" in the Consolidated Statement of Comprehensive Income for the years ended December 31, 2022 and 2021.

13. LEASE OBLIGATIONS

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

	Current	Long-term	Total
Lease obligations, January 1, 2021	231	1,040	1,271
Additions	11	27	38
Lease termination	(14)	(2)	(16)
Lease payments	-	(355)	(355)
Accretion	11	112	123
Lease obligations December 31, 2021	239	822	1,061
Additions	(27)	881	854
Lease payments	(13)	(330)	(343)
Accretion	(45)	182	137
Lease obligations December 31, 2022	**154**	**1,555**	**1,709**

The undiscounted lease liability at December 31, 2022 is $2,130 (2021 - $1,303).

Effective September 1, 2022 the Company negotiated with the head office lease landlord for additional office space. In discounting the future lease liabilities associated with the new office lease the Company used the estimated cost of borrowing of approximately 11% which takes into consideration the related leased asset.

14. SHARE CAPITAL

Journey has an unlimited number of voting common shares that are authorized for issuance. Each common share is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any dividends from the Company and in the assets in the event of termination or winding up of the Company. The common shares have no par value and are all of the same class with equal rights and privileges. In addition, the Company has an unlimited number of preferred shares with no par value authorized for issuance. Currently, there are no preferred shares outstanding.

Issued and outstanding	**Common Shares (#)**	**Share Capital ($)**
Balance, January 1, 2021	44,001	300,758
Issued on corporate acquisition	3,500	4,165
Issued on exercise of PSU's and RSU's	559	793
Balance, December 31, 2021	48,060	305,716
Flow-through shares issued	2,852	12,121
Deferred income tax on flow through share issuance	-	(742)
Share issue costs	-	(1,107)
Deferred income tax on share issue costs	-	255
Issued on corporate acquisition (Note 6(a))	1,750	10,920
Issued on property acquisition (Note 6(b))	3,000	18,150
Issued on warrant exercise (Note 15)	1,137	4,318
Issued on exercise of stock options (Note 16(d))	60	271
Issued on exercise of PSU's and RSU's (Note 16(a, b, c))	1,023	1,583
Balance, December 31, 2022	**57,882**	**351,485**

On March 18, 2022, 2,852 thousand flow-through shares were issued pursuant to a private placement for gross proceeds of $12,121, representing $4.25 per share. Journey incurred share issue costs of $1,083 on the issuance. A deferred liability of $742 was recognized for the premium on the flow through shares. The liability was de-recognized through income tax expense at December 31, 2022 as the Company incurred the qualifying expenditures.

15. WARRANTS

	Number	Weighted Average Exercise Price ($)	Amount
Balance, January 1, 2021 and December 31, 2021	6,137	0.71	3,809
Exercised (i)	(1,137)	3.15	(736)
Balance, December 31, 2022 (ii)	**5,000**	**0.16**	**3,073**

(i) On September 29, 2022, 1,137 warrants were exercised for common shares on a one for one basis with an exercise price of $3.15 per warrant.

(ii) 5,000 warrants are convertible into common shares on a one for one basis with an exercise price of $0.16 per warrant and expire on October 31, 2024.

16. SHARE BASED COMPENSATION

The shareholders of Journey have approved a share based compensation plan which allows for up to 10% of the common shares outstanding to be reserved for issuance under the plan. Below are the long-term incentives currently outstanding under the share based compensation plan.

a) Restricted stock units ("RSU's")

RSU's may be granted to employees as part of their compensation. For 2019 through 2021, RSU's vested equally on the anniversary of the date of issuance over their three year term. In 2022, the vesting terms of the RSU's was changed to fifty percent on second anniversary of issuance and the final fifty percent on third anniversary of issuance. Upon vesting, the RSU's are settled by Journey by either issuing the employee shares from treasury or by way of cash payment. The method of settlement is at the sole discretion of the Company. The fair value of the RSU's is determined by Journey's share price on the date of grant. During the year ended December 31, 2022, $1,023 (2021 – $587) was charged to share based compensation expense in respect of the RSU's.

The following table summarizes the number of RSU's outstanding:

	RSU Units
Balance at January 1, 2021	596
Granted	1,000
Settled	(358)
Forfeited	(109)
Balance at December 31, 2021	1,129
Granted	525
Settled	(453)
Forfeited	(54)
Balance at December 31, 2022	**1,147**

Of the outstanding balance of RSU's at December 31, 2022, 320 vest on October 1, 2023; 569 vest on October 1, 2024; and 258 vest October 1, 2025.

b) Peer performance stock units ("PPSU's")

The Company grants PSU's to certain employees that cliff vest on the third anniversary from the date of issuance. On the 2021 issuance only the vesting is in one-third increments equally on October 1, 2022, 2023 and 2024. The PSU's have a performance multiplier relating to the Company's share price performance relative to an established group of peer companies. This type of feature is dependent on market conditions, and therefore is required to be incorporated into the measurement of the grant date fair value. During the year ended December 31, 2022 $442 (2021 – $255) was charged to share based compensation expense. The settlement method is at the sole discretion of the Company in either cash or shares issued from treasury.

The following table summarizes the number of PPSU's outstanding:

	PPSU Units
Balance at January 1, 2021	729
Granted	365
Settled	(264)
Forfeited	(182)
Balance at December 31, 2021	648
Granted	165
Settled	(404)
Forfeited	(4)
Balance at December 31, 2022	**405**

As at December 31, 2022 and December 31, 2021 there were no PPSU's vested. Of the December 31, 2022 balance of PPSU's outstanding, 120 vest in October 1, 2023; 120 vest October 1, 2024; and 165 vest October 1, 2025.

c) Share performance stock units ("SPSU")

The Company grants SPSU's to certain employees that cliff vest on the third anniversary from the date of issuance. The 2021 issuance only vest in one-third increments equally on October 1, 2022, 2023 and 2024. The SPSU's have a performance multiplier relating to the Company's share price performance relative to an established reference price. This type of feature is dependent on market conditions, and therefore is required to be incorporated into the measurement of the grant date fair value. During the year ended December 31, 2022 $318 (2021 – $163) was charged to share based compensation expense. The settlement method is at the sole discretion of the Company in either cash or shares issued from treasury.

The following table summarizes the number of SPSU's outstanding:

	SPSU Units
Balance at January 1, 2021	-
Granted	365
Balance at December 31, 2021	365
Granted	165
Settled	(121)
Forfeited	(4)
Balance at December 31, 2022	**405**

As at December 31, 2022 there were no SPSU's vested. Of the remaining balance of SPSUs, 120 vest in October 2023, 120 vest in October 2024 and 165 vest October 2025.

d) Stock option plan

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

	Stock options	Weighted Average exercise price $	Number of options exercisable
Balance, January 1, 2021	1,145	2.05	1,145
Expired	(915)	1.99	(915)
Forfeited	(150)	2.11	(150)
Balance at December 31, 2021	80	2.65	80
Expired	(20)	1.75	(20)
Exercised	(60)	2.94	(60)
Balance at December 31, 2022	-	-	-

As at December 31, 2022 there were nil (December 31, 2021 – 80) stock options that were exercisable.

During the year ended December 31, 2022 $nil (2021 - $4) was recorded as share based compensation expense with respect to stock options.

During the years ended December 31, 2022 and December 31, there was no expense capitalized with respect to grants of RSU's, PSU's and stock options related to technical personnel engaged in exploration and development activities.

e) Employee Share Ownership Plan ("ESOP")

April 1, 2022 the ESOP plan was reintroduced. The ESOP plan provides for contributions by Journey equal to one times the participating employee's contribution. The maximum contribution by any employee is 5% of their base salary. The employee and the employer contributions are used to purchase Journey shares in the public market. The Company contributions are expensed under general and administrative expense.

17. FINANCE EXPENSE

Finance expense is comprised of the following:

	2022	2021
Interest	**7,325**	7,610
Deferred financing charge	**525**	2,478
Accretion of lease obligations	**137**	123
Accretion of decommissioning liabilities	**4,443**	3,275
Accretion of term debt	**1,142**	1,558
Change in fair value of Other Liability	**1,239**	2,523
Finance expense	**14,811**	17,567

18. INCOME TAXES

The provision for income tax reflects an effective rate, which differs from the expected, statutory, federal and provincial income tax rates. Differences between the statutory rate and the effective rate for the years ended December 31, 2022 and 2021 are reconciled as follows:

	2022	2021
Net income before income taxes	**60,982**	99,134
Expected income tax recovery at the statutory rate of 23.0% (2021 – 23.0%)	**14,026**	22,801
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	**29**	41
Share based compensation	**(1,086)**	25
Flow-through share expense	**3,474**	-
Change in unrecognized deferred tax asset	**(109,615)**	(22,867)
Future income tax expense	**(93,172)**	-
Flow-through share premium	**(1,044)**	-
Total income tax expense	**(94,216)**	-

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. The estimation of future taxable profit was based primarily on the projected cash flows from the reserve report prepared by Journey's independent reserve evaluators and effective December 31, 2022. During 2022, the Company recognized $109,615 in deferred income tax assets due primarily to sustained higher commodity pricing and significant additional cash flow projections stemming from the acquisitions during the year as evaluated by Journey's independent evaluator. There remains approximately $10,673 in deferred tax assets that were not recognized at December 31, 2022.

The movements in deferred income tax assets (liabilities) were as follows:

	Balance December 31, 2021	Recognized in comprehensive income	Recognized in equity	Balance December 31, 2022
Property, plant and equipment and E&E	(43,566)	5,817	-	(37,749)
Decommissioning obligations	42,080	2,471	-	44,551
Term debt	(531)	197	-	(334)
Leases	244	149	-	393
Non-capital losses	-	79,556	-	79,556
Share based compensation	-	309	387	696
Financial instruments	1,027	112	-	1,139
Debt issue costs	740	(197)	-	543
Share issue costs	6	(53)	255	208
Deferred tax asset	-	88,361	642	89,003

The Company has approximately $345,894 (2021 - $370,030) in non-capital losses available for carry forward, which expire at various times between 2027 and 2039.

19. PER SHARE AMOUNTS

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

	2022	2021
Net income and comprehensive income	**155,198**	99,134
Weighted average shares outstanding - basic	**52,658**	45,397
Weighted average shares outstanding - diluted	**58,773**	51,301
Net income per share – basic	**2.95**	2.18
Net income per share – diluted	**2.64**	1.93

The basic net income per share is calculated by dividing the net income attributable to the shareholders of the Company by the weighted average number of common shares outstanding for the period. At December

31, 2022 outstanding stock options, RSU's, SPSU's, PPSU's and warrants added 6,115 weighted average common shares (December 31, 2021 – 5,905).

20. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

Journey has designated its financial instruments as follows:

	December 31, 2022		December 31, 2021	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Amortized cost				
Accounts receivable	**29,677**	**29,677**	20,180	20,180
Accounts payable and accrued liabilities	**(45,496)**	**(49,496)**	(20,441)	(20,441)
Other loans	**(43,419)**	**(43,419)**	-	-
Term debt	**(65,242)**	**(65,242)**	(63,856)	(67,580)
Fair value through profit and loss				
Other liability	**4,955**	**4,955**	4,466	4,466

Journey's financial instruments recognized in the Consolidated Statement of Financial Position consist of cash, accounts receivable, accounts payable, bank debt, term debt, other loan and other liability. The carrying value of the accounts receivable, accounts payable and accrued liabilities approximates their fair value at December 31, 2022 due to their short-term nature. The fair value of the term debt and other loans approximate the carrying value as current credit adjusted rates approximate the effective interest rates applied to the loans (level 2 inputs).

The fair value of the other liability is based upon Level 2 inputs. The fair value of the other liability is a recurring measurement and is determined using valuation methodologies that maximize the use of observable market data, including forward commodity prices and interest rates to estimate the fair value.

(b) Derivative contracts

Journey is exposed to commodity price risk on it production of oil, natural gas and natural gas liquids. No financial derivative contracts were outstanding at December 31, 2022 and 2021 that hedged the commodity price risk.

(c) Risks

(i) Credit risk

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

Journey is exposed to losses in the event of non-performance by counterparties to financial risk management contracts. Journey minimizes credit risk associated with possible non-performance of these financial instruments by entering into contracts with only investment grade counterparties, limiting exposure to any one counterparty and monitoring procedures around extending credit. Journey is managing this risk within its credit limit guidelines and procedures. While Management believes Journey's credit limit guidelines and procedures are sufficient to address credit risk, they are still subject to the volatility of the general financial credit environment. Journey's maximum credit risk is its entire receivable accounts and derivative contracts as at December 31 of the respective years are:

	2022	2021
Accounts receivable	**29,677**	20,180

Management has determined the provision for uncollectable accounts as at December 31, 2022 to be $2,601 (2021 - $2,283). Accounts receivable balances with third parties in excess of 90 days are $3,594 (2021 – $2,694). The primary reason for the significant portion of the provision resulted from a dispute with one of the Company's purchasers of natural gas. Effective April 1, 2020 Journey is no longer selling natural gas to this marketer as the Company considered the purchaser to be in breach of their contract. The marketer may dispute Journey's right to terminate the contract early. The outcome of this dispute currently is neither, quantifiable or estimable.

The continuity of the Company's reserve for doubtful accounts for the years ended December 31 is as follows:

	2022	2021
Allowance for doubtful accounts, January 1	**2,283**	2,232
Amounts recovered (written off)	**10**	(11)
Changes to provision	**308**	62
Allowance for doubtful accounts, December 31	**2,601**	2,283

(ii) Interest rate risk

All the Company's term loans bear interest at fixed rates with the exception of the commitment fee loan and other loans, which bear interest depending on certain oil price thresholds (Note 10).

(iii) Foreign exchange risk

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

(iv) Liquidity risk

Journey is exposed to liquidity risk, which is the risk the entity may not be able to generate or obtain sufficient cash resources to meet its commitments as they become due. Journey works to mitigate this risk by management of cash and debt. Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to our capital spending. The following table details Journey's financial liabilities as at December 31, 2022:

	< 1year	**1-2 years**	**> 2 years**	**Total**
Accounts payable and accrued liabilities	45,496	-	-	45,496
Other loans	24,000	19,419	-	43,419
Other liability – principal amount	5,000	-	-	5,000
Term debt - principal amount	48,571	16,671	-	65,242
Interest on other loans	2,995	670	-	3,665
Interest on term debt (at coupon rate)	5,127	1,925	-	7,052
	131,189	**38,685**	**-**	**169,874**

The following table details Journey's financial liabilities as at December 31, 2021:

	< 1year	1-2 years	> 2 years	Total
Accounts payable and accrued liabilities	20,441	-	-	20,441
Other loan	156	-	-	156
Other liability – principal amount	750	2,250	2,750	5,750
Term debt - principal amount	23,817	24,700	19,063	67,580
Interest on term debt (at coupon rate)	5,610	4,124	1,470	11,204
	50,774	31,074	23,283	105,131

21. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital

Sources (uses) of funds:	**2022**	2021
Accounts receivable	**(9,497)**	(10,895)
Prepaid expenses and deposits	**(601)**	526
Accounts payable and accrued liabilities	**25,055**	4,243
Working capital acquired	**(466)**	203
	14,491	(5,923)
Relating to:		
Operating activities	**10,521**	(6,498)
Investing activities	**3,970**	575
	14,491	(5,923)

b) Supplementary cash flow information

	2022	2021
Interest paid	**3,630**	7,561

c) Sales by product type

	2022	2021
Crude oil	**147,318**	79,314
Natural gas	**64,939**	33,439
Natural gas liquids	**23,326**	11,090
Petroleum and natural gas sales	**235,583**	123,843

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized based on the specified parameters in the relevant contracts with marketers and third parties. Revenue is recognized when the control of the product is transferred to the counterparty pursuant to the contract. All contracts are examined to determine if Journey acts as an agent on behalf of a third party. If Journey acts as agent for a third party, then revenue is recognized on a net realized basis by the Company.

d) Employee compensation costs

Journey's Statement of Comprehensive Income is prepared primarily by nature of expense, with the exception of employee compensation costs, which are included in property, plant, and equipment, share-based compensation and general and administrative expenses.

The following table details the amount of total employee compensation costs included in property, plant and equipment, share-based compensation and general and administrative expenses:

	2022	2021
General and administrative expense	**8,609**	3,995
Share based compensation expense	**5,146**	1,009
Total employee compensation costs	**13,755**	5,004

22. RELATED PARTY TRANSACTIONS

The Company considers its directors and executives to be key management personnel. Compensation for these individuals is comprised of the following:

	2022	2021
Salaries and wages	**1,565**	988
Short-term employee benefits	**120**	37
Share based payments (i)	**865**	613
Total related party compensation	**2,550**	1,638

(i) These amounts represent the amortization of share-based compensation associated with the Company's share based compensation plans.
(ii) As at December 31, 2022 there were eleven (2021 – seven) individuals that were considered key management personnel.
(iii) At December 31, 2022 there is a $1,498 commitment (2021 - $2,411) relating to a change of control or termination of employment for key management personnel.

The related party transactions above were recorded at the above disclosed exchange amounts. Management believes the amount agreed upon between the parties is reflective of comparable fair market value transactions.

23. COMMITMENTS AND CONTINGENCIES

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

(a) Contractual obligations

The Company has committed to firm-service contracts for transporting natural gas as well as payments under operating leases. The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the contracts.

	Total	2023	2024-2025	2026-2027
Natural gas transportation	4,268	1,661	2,213	394
Operating leases	4,866	1,017	2,829	1,020
	9,134	2,678	5,042	1,414

(b) Indemnifications

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

24. CAPITAL MANAGEMENT

Management views the capital structure to be comprised of working capital (current assets less current liabilities, but excluding the fair value of other liability, derivative contracts and decommissioning liabilities), share capital, term-debt, and other loans. The Company's key objectives when managing its capital structure are to: 1) meet its financial obligations as they come due; 2) to ensure sufficient financial flexibility to achieve its continuing business objectives including the replacement of production, funding future growth opportunities, expanding its developing power business, and the pursuit of accretive acquisitions; and 3) repay its borrowings at their maturity dates (or renegotiate existing debt agreements upon acceptable commercial terms). To accomplish this Management strives to optimize its cost of capital while at the same time managing its leverage. To manage its capital structure Journey may issue equity or term-debt, adjust discretionary capital spending, use its credit facility, or dispose of non-core assets.

The Company's primary source of funds is the cash provided from operating activities. As of December 31, 2022 Journey had $31,400 of cash on hand. Management believes the Company is positioned to execute on its future strategic growth plans. Future exploration and development capital expenditures are expected to be funded primarily by cash generated from operating activities

Journey's capital structure as at December 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Principal amount of term debt	**67,580**	67,580
Principal amount of vendor-take-back loan	**43,000**	-
Accounts payable and accrued liabilities	**45,496**	20,441
Other liability - principal	**5,000**	5,750
Other loans	**419**	156
Deduct:		
Cash in bank	**(31,400)**	(15,677)
Accounts receivable	**(29,677)**	(20,180)
Prepaid expenses	**(1,650)**	(1,049)
Net debt	**98,768**	57,021

Journey continually monitors its capital structure and adjusts it throughout the year as a result of general economic conditions, the state of the petroleum industry and global events, all of which may affect commodity prices. Journey prepares an annual capital budget, which is approved by the Board of Directors, and is updated quarterly for acquisition and divestiture activity as needed, changes in commodity prices, and drilling successes. Given the volatile commodity price environment , which is impacted significantly by world events, the budget is intended to be flexible and is re-evaluated at each regularly scheduled board meeting.

25. SUBSEQUENT EVENT

On March 1, 2023 Journey entered into a bought-deal, flow-through common share equity financing. Under the terms of the financing, and with the full underwriter over allotment exercised, Journey will issue 2.6 million flow-through common shares at a price of $6.62 per share. The Company will use the proceeds from the Offering to incur eligible Canadian Development Expenses ("CDE") within the meaning of the Income Tax Act in an aggregate amount of not less than the gross proceeds raised from the Offering. Journey will renounce qualifying CDE to purchasers of the flow-through shares on or before March 31, 2024. Closing of the financing is anticipated to occur on or before March 23, 2023.