



## **MANAGEMENT'S DISCUSSION AND ANALYSIS – THIRD QUARTER, 2023**

The following Management's Discussion and Analysis ("MD&A") was prepared on November 7, 2023 and is management's assessment of Journey Energy Inc.'s ("Journey" or the "the Company") financial and operating results for the three and Nine months ended September 30, 2023 and 2022. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and Nine months ended September 30, 2023 and 2022 along with the notes related thereto.

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

Forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

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

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

Although Journey believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Journey can give no assurance that they will prove to be correct. Since forward-

looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the COVID-19 pandemic and the impact on the worldwide economy, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and constraint in the availability of services, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in this MD&A under the heading 'Risk Factors'.

## **NON-GAAP MEASURES**

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

**"Adjusted Funds Flow"** is calculated by taking "cash flow provided by operating activities" from the financial statements and adding or deducting: changes in non-cash working capital; transaction costs; non-recurring "other" income, capitalized interest, and decommissioning costs. Adjusted Funds Flow per share is calculated as Adjusted Funds Flow divided by the weighted-average number of shares outstanding in the period. Because Adjusted Funds Flow and Adjusted Funds Flow per share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of performance than the GAAP measured "cash flow generated from operating activities". In addition, Journey excludes transaction costs from the definition of Adjusted Funds Flow, as these expenses are generally in respect of capital acquisition transactions. Journey deducts capitalized interest, as this is normally a cash related expense, but from time to time is allowed to add this to this principal outstanding instead of paying in cash. The Company considers Adjusted Funds Flow a key performance measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Journey's determination of Adjusted Funds Flow may not be comparable to that reported by other companies. The reconciliation between cash from operating activities on the consolidated financial statements, and Adjusted Funds Flow can be found in the table below. Journey also presents Adjusted Funds Flow per share where per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of net income (loss) per share, which per share amount is calculated under IFRS and is more fully described in the notes to the audited, year-end consolidated financial statements.

The reconciliation of Adjusted Funds Flow to the GAAP measured cash flow from operating activities is presented in the following table:

|                                            | Three months ended Sept. 30, |          |             | Nine months ended Sept. 30, |         |             |
|--------------------------------------------|------------------------------|----------|-------------|-----------------------------|---------|-------------|
|                                            | 2023                         | 2022     | %<br>Change | 2023                        | 2022    | %<br>Change |
| Cash flow provided by operating activities | 11,569                       | 33,422   | (65)        | 35,365                      | 81,277  | (56)        |
| Add (deduct):                              |                              |          |             |                             |         |             |
| Changes in non-cash working capital        | 6,442                        | (11,788) | 155         | 8,877                       | (7,094) | 225         |
| Transaction costs                          | 22                           | 79       | (73)        | 24                          | 223     | (89)        |
| Decommissioning costs                      | 480                          | 1,002    | (52)        | 3,498                       | 2,091   | 67          |
| Adjusted Funds Flow                        | 18,513                       | 22,715   | (18)        | 47,764                      | 76,497  | (38)        |

**“Netbacks”** is a term used throughout these MD&A. The Company uses netbacks to help evaluate its performance, leverage, and liquidity; comparisons with peers; as well as to assess potential acquisitions. Management considers netbacks as a key performance measure as it demonstrates the Company’s profitability relative to current commodity prices. Management also uses them in operational and capital allocation decisions. Journey uses three types of netbacks to assess its own performance and its performance in relation to its peers. These netbacks are operating, Adjusted Funds Flow and net income (loss). **“Operating netback”** is calculated as the average sales price of the commodities sold (excluding financial hedging gains and losses), less royalties, transportation costs and operating expenses. **“Adjusted Funds Flow netback”** begins with the operating netback and deducts general and administrative costs, interest costs and then adds or deducts any realized gains or losses on derivative contracts. To calculate the **“net income (loss) netback”**, Journey takes the Adjusted Funds Flow netback and then adds or deducts: unrealized gains/losses on derivative contracts; share-based compensation expense; depletion; depreciation; accretion; loss and gains on dispositions; asset impairments and reversals; exploration and evaluation expenses; and deferred income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

**“Net operating expenses”** are calculated by taking the operating expenses in the statement of profit and loss and subtracting the ancillary income related to Journey’s field activities, which is reflected in the statement of profit and loss as “other income”. The activities that generate this income include: processing income from jointly or wholly owned natural gas plants and oil batteries; oil treating income; transporting third party natural gas and oil through gathering and sales pipelines; and water disposal fees. Journey considers this income ancillary to its main operations as the various operations which generate this income also process Journey’s production. They are not considered separate profit centers and immaterial internal resources are devoted to generating this income. Therefore, for purposes of these MD&A, Journey considers it more relevant to show this income as a cost recovery and therefore nets these amounts with field operating expenses. In addition, operating expenses related to Journey’s power generation asset in Countess are subtracted from the financial statement number to get to net operating expenses that relate solely to the Company’s exploration and production operations. Management believes that showing this adjusted operating expense number provides better information for to make decisions on its primary business and allows for better peer company comparisons.

**“Net debt”** is used to assess efficiency, liquidity and general financial strength of Journey and is used to compare this financial strength to its peers. Net debt as at the end of each relevant period is calculated as follows:

|                                                     | Sept. 30,<br>2023 | Sept. 30,<br>2022 | %<br>Change | Sept. 30,<br>2023 | Dec. 31,<br>2022 | %<br>Change |
|-----------------------------------------------------|-------------------|-------------------|-------------|-------------------|------------------|-------------|
| Term debt <sup>1</sup>                              | 43,763            | 67,580            | (35)        | 43,763            | 67,580           | (35)        |
| Vendor-take-back debt <sup>1</sup>                  | 25,000            | -                 | -           | 25,000            | 43,000           | (42)        |
| Accounts payable and accrued liabilities            | 42,751            | 37,020            | 15          | 42,751            | 45,496           | (6)         |
| Other liability - contingent bank debt <sup>1</sup> | -                 | 5,000             | -           | -                 | 5,000            | (100)       |
| Other loans                                         | 419               | 419               | -           | 419               | 419              | -           |
| Deduct:                                             |                   |                   |             |                   |                  |             |
| Cash in bank                                        | (14,065)          | (41,571)          | (66)        | (14,065)          | (31,400)         | (55)        |
| Accounts receivable                                 | (32,275)          | (23,407)          | 38          | (32,275)          | (29,677)         | 9           |
| Prepaid expenses and deposits                       | (5,812)           | (28,260)          | (79)        | (5,812)           | (1,650)          | 252         |
| Net debt                                            | 59,781            | 16,781            | 256         | 59,781            | 98,768           | (39)        |

1. Principal amount of the debt.

### Abbreviations and BOE Advisory

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

|               |                                                                                                                                                                    |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>AIMCo</i>  | <i>Alberta Investment Management Corporation</i>                                                                                                                   |
| <i>API</i>    | <i>American Petroleum Institute</i>                                                                                                                                |
| <i>bbl</i>    | <i>Barrel</i>                                                                                                                                                      |
| <i>bbls</i>   | <i>Barrels</i>                                                                                                                                                     |
| <i>boe</i>    | <i>barrels of oil equivalent (see conversion statement below)</i>                                                                                                  |
| <i>boe/d</i>  | <i>barrels of oil equivalent per day</i>                                                                                                                           |
| <i>gj</i>     | <i>Gigajoules</i>                                                                                                                                                  |
| <i>GAAP</i>   | <i>Generally Accepted Accounting Principles</i>                                                                                                                    |
| <i>IFRS</i>   | <i>International Financial Reporting Standards</i>                                                                                                                 |
| <i>Mbbls</i>  | <i>thousand barrels</i>                                                                                                                                            |
| <i>Mboe</i>   | <i>thousand boe</i>                                                                                                                                                |
| <i>Mcf</i>    | <i>thousand cubic feet</i>                                                                                                                                         |
| <i>Mmcf</i>   | <i>million cubic feet</i>                                                                                                                                          |
| <i>Mmcf/d</i> | <i>million cubic feet per day</i>                                                                                                                                  |
| <i>MSW</i>    | <i>Mixed sweet Alberta benchmark oil price at Edmonton Alberta</i>                                                                                                 |
| <i>MW</i>     | <i>One million watts of power</i>                                                                                                                                  |
| <i>NGL's</i>  | <i>natural gas liquids (ethane, propane, butane and condensate)</i>                                                                                                |
| <i>VTB</i>    | <i>Vendor-take-back term debt issued by Journey to Enerplus Corporation as partial payment of the purchase price for the asset acquisition on October 31, 2022</i> |
| <i>WCS</i>    | <i>Western Canada Select benchmark oil price. This crude oil is heavy/sour with API gravity of 19-22 degrees and sulphur content of 1.8-3.2%.</i>                  |
| <i>WTI</i>    | <i>West Texas Intermediate benchmark Oil price. This crude oil is light/sweet with API gravity of 39.6 degrees and sulfur content of 0.24%.</i>                    |

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at Nine (6) thousand cubic

feet (“Mcf”) to one (1) barrel. Use of the term “boe” may be misleading particularly if used in isolation. The boe conversion ratio of 6 Mcf to 1 barrel (“Bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

In these MD&A, where the Company uses the term “crude oil” it is referring to the aggregate of light, medium and heavy crude oil volumes or dollars as is required. Where the Company uses the term “natural gas” it is referring to the aggregate of conventional natural gas and coal-bed methane natural gas volumes or dollars as is required.

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

### **Amounts**

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

## **HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023**

### Financial

Journey recorded Adjusted Funds Flow of \$18,513 in the third quarter of 2023. A combination of the 12% increase in average realized commodity prices and 15% decrease in operating expenses from the second quarter were the prime drivers for the increase in Adjusted Funds Flow. Cash flow from operating activities was \$11,568 in the third quarter of 2023 as compared to \$12,355 in the second quarter. The result for the quarter was that corporate net debt came in at \$59,781 at September 30, 2023. The third quarter generated net income of \$7,712 or \$0.13 per basic share and \$0.11 per diluted share.

### Capital spending

The Company spent \$5,838 in its capital program during the third quarter of 2023, which was partially offset by net dispositions of \$2,834. \$2.0 of capital was spent on the construction of the Gilby power plant and \$2.3 million was spent on recompletions and preliminary work on the fourth quarter drilling program. In addition, Journey spent \$480 in abandonment and reclamation work.

### Sales volumes

Journey achieved sales volumes of 11,756 boed (54% crude oil and NGL’s). Quarter over quarter volumes were 5% lower from the second quarter as compared to the third quarter of 2023. Volumes were lower than the second quarter due to natural declines, lingering impacts from the wildfire season and seasonal facility turnarounds.

### Liquidity

Capital spending was less than Adjusted Funds Flow in the third quarter. During the quarter, Journey made \$6.0 million of repayments on its vendor-take-back debt that was issued as partial consideration for the acquisition in October of 2022. Journey spent less on its capital program than its Adjusted Funds Flow for

the quarter and therefore was able to reduce net debt by \$14.9 million during the current quarter. Cash generated through operations was \$11,568 in the third quarter.

#### Outlook

Journey continues to manage its net debt while advancing its drilling program and power generation projects. Journey's drilling program is weighted towards the last quarter of the year and had commenced drilling of three wells in late September.

Journey's updated 2023 guidance, is presented in the table below:

|                                                | <b>Revised November 7, 2023</b>                | <b>Previous August 8, 2023</b>                 |
|------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Annual average daily sales volumes             | 12,100–12,400 boe/d<br>(54% crude oil & NGL's) | 12,000–12,500 boe/d<br>(54% crude oil & NGL's) |
| Adjusted Funds Flow                            | \$69 – 72 million                              | \$64 – 67 million                              |
| Adjusted Funds Flow per weighted average share | \$1.15 - \$1.19                                | \$1.07 - \$1.10                                |
| Capital spending                               | \$48 million                                   | \$47 million                                   |
| 2023 ending Net Debt                           | \$56 - \$59 million                            | \$61 - \$63 million                            |
| <u>Reference commodity prices:</u>             |                                                |                                                |
| WTI (USD \$/bbl)                               | \$79.00                                        | \$78.00                                        |
| MSW oil differentials (USD \$/bbl)             | \$3.50                                         | \$3.25                                         |
| WCS oil differentials (USD \$/bbl)             | \$15.50                                        | \$15.50                                        |
| AECO natural gas (CAD \$/mcf)                  | \$2.75                                         | \$2.88                                         |
| CAD/USD foreign exchange                       | \$0.74                                         | \$0.75                                         |

#### Notes:

1. The weighting of the boe corporate sales volumes guidance is as follows:
  - a. Heavy oil: 18%
  - b. Light/medium crude oil: 26%
  - c. NGL's: 10%
  - d. Coal-bed methane natural gas: 6%
  - e. Conventional natural gas: 40%

## **DETAILED FINANCIAL REVIEW**

### **PRODUCTION REVENUE AND VOLUMES**

#### **Daily Sales Volumes**

Total daily sales volumes increased 24% to 11,756 boe/d for the third quarter of 2023 from 9,504 boe/d in the third quarter of 2022. The increase was mainly attributable to the significant asset acquisition from October of 2022 which added approximately 4,000 boe/d (71% crude oil and NGL's). For the nine-month periods, daily sales volumes increased 34% to 12,355 boe/d for 2023 from 9,199 boe/d in 2022.

|                                   | Three months ended Sept. 30 |        |             | Nine months ended Sept. 30 |        |             |
|-----------------------------------|-----------------------------|--------|-------------|----------------------------|--------|-------------|
|                                   | 2023                        | 2022   | %<br>Change | 2023                       | 2022   | %<br>Change |
| Natural gas (Mcf/d)               |                             |        |             |                            |        |             |
| Conventional                      | 28,356                      | 25,424 | 12          | 29,629                     | 24,671 | 20          |
| Coal bed methane                  | 4,162                       | 4,564  | (9)         | 4,203                      | 4,388  | (4)         |
| Total natural gas volumes         | 32,518                      | 29,988 | 8           | 33,832                     | 29,059 | 16          |
| Crude oil (Bbl/d)                 |                             |        |             |                            |        |             |
| Light/medium                      | 2,929                       | 2,907  | 1           | 3,279                      | 2,769  | 18          |
| Heavy                             | 2,233                       | 648    | 245         | 2,166                      | 663    | 227         |
| Total crude oil volumes           | 5,162                       | 3,555  | 45          | 5,445                      | 3,432  | 59          |
| Natural gas liquids (Bbl/d)       | 1,174                       | 951    | 23          | 1,271                      | 924    | 38          |
| Barrels of oil equivalent (boe/d) | 11,756                      | 9,504  | 24          | 12,355                     | 9,199  | 34          |

### Volumetric Product Mix

Journey's product mix shifted more towards an oil weighting during the third quarter of 2023 as the impact of the October, 2022 acquisition had a positive impact on the oil weighting. Natural gas sales contributed 46% (2022 – 53%) of total sales volumes; crude oil volumes were 44% (2022 – 37%) and NGL's were 10% (2022 – 10%). For the year-to-date natural gas sales volumes contributed 46% (2022 – 53%); crude oil volumes were 44% (2022 – 37%) and NGL's were 10% (2022 – 10%)

|                           | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |      |             |
|---------------------------|------------------------------|------|-------------|-----------------------------|------|-------------|
| % of Aggregate Production | 2023                         | 2022 | %<br>Change | 2023                        | 2022 | %<br>Change |
| Natural gas               | 46                           | 53   | (13)        | 46                          | 53   | (13)        |
| Crude oil                 | 44                           | 37   | 19          | 44                          | 37   | 19          |
| Natural gas liquids       | 10                           | 10   | -           | 10                          | 10   | -           |
| Total                     | 100                          | 100  |             | 100                         | 100  |             |

### Average Benchmark Price Indices

|                                 | Three months ended Sept. 30, |         |             | Nine months ended Sept. 30, |         |             |
|---------------------------------|------------------------------|---------|-------------|-----------------------------|---------|-------------|
|                                 | 2023                         | 2022    | %<br>Change | 2023                        | 2022    | %<br>Change |
| <b>Crude Oil</b>                |                              |         |             |                             |         |             |
| WTI (US\$/Bbl)                  | 82.26                        | 91.55   | (10)        | 77.40                       | 98.09   | (21)        |
| Canadian MSW (CDN\$/Bbl)        | 107.29                       | 116.77  | (8)         | 100.65                      | 123.59  | (19)        |
| WTI/MSW differential (US\$/Bbl) | (3.13)                       | (2.09)  | 50          | (2.85)                      | (1.70)  | 68          |
| WCS (CDN\$/Bbl)                 | 93.19                        | 93.53   | -           | 80.42                       | 105.55  | (24)        |
| WTI/WCS differential (US\$/Bbl) | (12.82)                      | (19.87) | (35)        | (17.62)                     | (15.73) | 12          |
| <b>Natural Gas</b>              |                              |         |             |                             |         |             |
| NYMEX (US \$/Mmbtu)             | 2.59                         | 7.99    | (68)        | 2.47                        | 6.71    | (63)        |
| AECO - Daily (CDN\$/Mcf)        | 2.61                         | 4.45    | (41)        | 2.76                        | 5.49    | (50)        |
| <b>Foreign Exchange</b>         |                              |         |             |                             |         |             |
| Canadian to US                  | 1.3412                       | 1.3061  | 3           | 1.3454                      | 1.2830  | 5           |
| US to Canadian                  | 0.7457                       | 0.7658  | (3)         | 0.7434                      | 0.7796  | (5)         |

WTI oil prices decreased 10% in the third quarter of 2023 to average \$82.26 US/bbl as compared to \$91.55 US/bbl in the third quarter of 2022. WTI had been in the US\$70-79 level for most of 2023; however, a combination of ongoing crude oil inventory drawdowns, robust global demand, and OPEC's supply discipline has caused prices to break out to over \$89 USD in September. Canadian MSW prices were similarly impacted as the average price of \$107.29/bbl in the third quarter of 2023 was 8% lower than the \$116.77 realized in the same quarter of 2022. The decline in MSW prices was muted somewhat by the appreciation of the Canadian dollar in relation to the US dollar during the third quarter of 2023 of 3% from the third quarter of 2022. Changes to the Canadian dollar vis a vis the US dollar are based on many factors including the strength of the Canadian economy, Canadian and US interest rates, the political environment and Canadian net exports. In addition, the WTI/MSW oil price differential widened by 50% from \$2.09/bbl in the third quarter of 2022 to \$3.13/bbl in the third quarter of 2023. The heavier oil benchmark for WCS prices also declined marginally to \$93.19 in the third quarter of 2023 as compared to \$93.53/bbl in the third quarter of 2022. Approximately 43% of Journey's crude oil production is exposed to WCS prices.

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Natural gas prices are influenced by a variety of factors such as: weather patterns; LNG imports and exports; supplies in western Alberta; pipeline capacity for Alberta exports; demand in eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 41% lower at \$2.61/mcf in the third quarter of 2023 as compared to \$4.45/mcf during the same period in 2022. The combination of a warm 2022-23 winter and the declining concerns in Europe over sufficient natural gas/LNG supplies had a dampening effect on domestic natural gas prices.

## Realized Prices

### Realized Prices

a) Realized prices excluding physical commodity contract gains were as follows:

|                              | Three months ended Sept. 30, |        |             | Nine months ended Sept. 30, |        |             |
|------------------------------|------------------------------|--------|-------------|-----------------------------|--------|-------------|
|                              | 2023                         | 2022   | %<br>Change | 2023                        | 2022   | %<br>Change |
| Natural gas (\$/Mcf)         | <b>2.39</b>                  | 4.05   | <b>(41)</b> | <b>2.63</b>                 | 5.38   | (51)        |
| Crude oil (\$/Bbl)           | <b>95.26</b>                 | 104.96 | <b>(9)</b>  | <b>85.37</b>                | 112.56 | (24)        |
| Natural gas liquids (\$/Bbl) | <b>45.28</b>                 | 63.96  | <b>(29)</b> | <b>45.35</b>                | 66.32  | (32)        |
| Average (\$/boe)             | <b>52.96</b>                 | 62.06  | <b>(15)</b> | <b>50.05</b>                | 66.92  | (25)        |

Overall average realized per boe prices were 15% lower at \$52.96 in the third quarter of 2023 as compared to \$62.06 in the third quarter of 2022. This overall decline was comprised of declines in prices (by commodity type) of 41% for natural gas prices, 9% for crude oil and 29% for NGL's. For the year-to-date the overall realized prices per boe were 25% lower. This decline was comprised of a decline in natural gas prices by 51%; crude oil 24% and NGL's of 32%.

b) Journey had physical oil and natural gas hedges during the first half of 2023. Realized prices including physical commodity contract gains are as follows:

|                              | Three months ended Sept. 30, |        |      | Nine months ended Sept. 30, |        |      |
|------------------------------|------------------------------|--------|------|-----------------------------|--------|------|
|                              | 2023                         | 2022   | 2023 | 2023                        | 2022   | 2022 |
| Natural gas (\$/Mcf)         | 2.39                         | 5.20   | (54) | 2.83                        | 5.78   | (51) |
| Crude oil (\$/Bbl)           | 95.26                        | 104.96 | (9)  | 85.66                       | 112.56 | (24) |
| Natural gas liquids (\$/Bbl) | 45.28                        | 63.96  | (29) | 45.35                       | 66.32  | (32) |
| Average (\$/boe)             | 52.96                        | 62.06  | (15) | 50.18                       | 66.92  | (25) |

As at September 30, 2023 there were no physical hedges outstanding.

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

In the third quarter of 2023, aggregate P&NG sales increased 6% to \$57,279 as compared to \$54,265 for the same period in 2022. The increase in sales revenue in the third quarter of 2023 was mainly the result of the 15% decrease in average commodity prices over the same period of 2022 as sales volumes increased by 24%. Crude oil revenue made up the most significant portion of total revenues at 79% while contributing 44% to total boe sales volumes.

For the nine months ended September 30, aggregate P&NG sales increased marginally to \$169,235 in 2023 from \$168,052 in 2022. While sales volumes increased by 34% with the acquisition, revenues stayed consistent with 2022 with the 25% decrease in average commodity prices offsetting the increase in volumes sold. Journey's crude oil revenue, which carries higher per boe prices, made up 75% of corporate revenues for the year to date in 2023 while contributing 44% of total boe sales volumes.

|                                      | Three months ended Sept. 30, |        |             | Nine months ended Sept. 30, |         |             |
|--------------------------------------|------------------------------|--------|-------------|-----------------------------|---------|-------------|
| \$                                   | 2023                         | 2022   | %<br>Change | 2023                        | 2022    | %<br>Change |
| Natural gas                          | 7,146                        | 11,173 | (36)        | 24,319                      | 42,698  | (43)        |
| Crude oil                            | 45,242                       | 34,337 | 32          | 126,893                     | 105,469 | 20          |
| Natural gas liquids                  | 4,891                        | 5,593  | (13)        | 15,740                      | 16,723  | (6)         |
| Physical oil and natural gas hedging | -                            | 3,162  | (100)       | 2,283                       | 3,162   | (28)        |
| P&NG sales                           | 57,279                       | 54,265 | 6           | 169,235                     | 168,052 | 1           |

|                        | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |      |             |
|------------------------|------------------------------|------|-------------|-----------------------------|------|-------------|
| Sales - % Contribution | 2023                         | 2022 | %<br>Change | 2023                        | 2022 | %<br>Change |
| Natural gas            | 12                           | 26   | (54)        | 16                          | 27   | (41)        |
| Crude oil              | 79                           | 63   | 25          | 75                          | 63   | 19          |
| Natural gas liquids    | 9                            | 10   | (10)        | 9                           | 10   | (10)        |
| Total                  | 100                          | 100  |             | 100                         | 100  |             |

## ROYALTIES

For the three months ended September 30, royalties were \$11,784 in 2023 as compared to \$11,278 for the same period in 2022 and representing a 4% increase. On a per BOE basis, the royalty rate was decreased by 16% to \$10.90 in 2023 as compared to \$12.90 from the same quarter of last year. The decrease per boe paralleled the decrease in average commodity prices of 25%. As a percentage of revenue, the rate for the third quarter of 2023 was relatively unchanged at 20.6% for 2023 as compared

to 20.8% for the same quarter of 2022. While average commodity prices decreased quarter to quarter, the higher royalty rate on the crude oil volumes from the acquisition in October offset the price decrease thereby yielding a flat royalty rate as a percentage of revenues.

For the nine months ended September 30, aggregate royalty expense was \$34,872 in 2023 as compared to \$33,467 for the same period in 2022. On a per boe basis, the royalty rate decreased 22% to \$10.34 in 2023 as compared to \$13.33 in 2022. As a percentage of revenue, the rate for the nine months of 2023 was 20.7% or 4% higher than the 19.9% realized in 2022.

Benchmark MSW oil prices decreased 8% in the third quarter and 19% for the nine months ended September 30, 2023 as compared to 2022. Similarly, benchmark AECO natural gas prices decreased by 41% for the three month period and 50% for the nine month periods of 2023 as compared to 2022. Journey is anticipating a corporate royalty rate of approximately 21% for the balance of 2023 based on Management's internal forecast of commodity prices and the anticipated productivity of its wells. However, this could change significantly and quickly, as Crown royalty rates are dependent on a combination of realized commodity prices and specific well production volumes.

|                                  | Three months ended Sept. 30, |        |             | Nine months ended Sept. 30, |        |             |
|----------------------------------|------------------------------|--------|-------------|-----------------------------|--------|-------------|
| \$                               | 2023                         | 2022   | %<br>Change | 2023                        | 2022   | %<br>Change |
| Crown                            | <b>8,053</b>                 | 8,383  | (4)         | <b>23,559</b>               | 24,396 | (3)         |
| Freehold/gross over-riding       | <b>3,731</b>                 | 2,895  | 29          | <b>11,313</b>               | 9,071  | 25          |
| Total royalties                  | <b>11,784</b>                | 11,278 | 4           | <b>34,872</b>               | 33,467 | 4           |
| Royalties (as a % of P&NG sales) | <b>20.6</b>                  | 20.8   | (1)         | <b>20.6</b>                 | 19.9   | 4           |

|                            | Three months ended Sept. 30, |       |             | Nine months ended Sept. 30, |       |             |
|----------------------------|------------------------------|-------|-------------|-----------------------------|-------|-------------|
| \$/boe                     | 2023                         | 2022  | %<br>Change | 2023                        | 2022  | %<br>Change |
| Crown                      | <b>7.45</b>                  | 9.59  | (22)        | <b>6.98</b>                 | 9.72  | (28)        |
| Freehold/gross over-riding | <b>3.45</b>                  | 3.31  | 4           | <b>3.36</b>                 | 3.61  | (7)         |
| Total royalties            | <b>10.90</b>                 | 12.90 | (16)        | <b>10.34</b>                | 13.33 | (22)        |

## PROCESSING AND OTHER INCOME

Processing and other income is comprised of the following components. First, custom natural gas processing fees; oil treating; natural gas gathering and compression fees are what Journey considers to be operating cost recoveries and are directly tied to, or are ancillary to the Company's own field operations. For presentation in these MD&A Journey nets this income with field operating costs (see Operating Expense section below). Third is Journey's electricity generation business. Journey's Countess power facility produces electricity and delivers this to Alberta's power grid. Third, is miscellaneous other income. Included in this category for the nine months of 2023 is \$167 of income related to government grants from the Government Site Rehabilitation Program. The breakdown of processing and other income by category is as follows:

|                                                          | Three months ended Sept. 30, |       |        | Nine months ended Sept. 30, |         |        |
|----------------------------------------------------------|------------------------------|-------|--------|-----------------------------|---------|--------|
|                                                          | 2023                         | 2022  | Change | 2023                        | 2022    | Change |
| Processing and other cost recoveries                     | 841                          | 949   | (11)   | 2,621                       | 2,947   | (11)   |
| Electricity income before expenses                       | 1,277                        | 577   | 121    | 3,441                       | 898     | 283    |
| Other income <sup>1</sup>                                | 208                          | 1,826 | (89)   | 444                         | 3,753   | (88)   |
| Processing and other income per the financial statements | 2,326                        | 3,352 | (31)   | 6,506                       | 7,598   | (14)   |
| Less:                                                    |                              |       |        |                             |         |        |
| Processing and other cost recoveries <sup>2</sup>        | (842)                        | (948) | (11)   | (2,621)                     | (2,946) | (11)   |
| Electricity related operating expenses                   | (1,058)                      | (546) | 94     | (2,230)                     | (1,838) | 21     |
| Adjusted processing and other income                     | 426                          | 1,858 | (77)   | 1,655                       | 2,814   | (41)   |

Notes:

1. Other income represents earned subsidies from the Government Site Rehabilitation plus other miscellaneous income.
2. Processing income and other cost recoveries are netted with operating expenses described below.

Electricity income

Electricity income revenue decreased by 30% in the third quarter of 2023 to \$1,277 as compared to \$1,826 in the same quarter of 2022. The MW generated in each respective quarter was very similar, however, the average price in 2023 was \$172.12/MW while in the same quarter of 2022 it was \$237.03/MW. For the year to date power revenues decreased by 8% which was mainly attributable to the 13% lower MW generated in 2023 as compared to 2022. A significant repair in February caused the MW's generated to be lower than expected in the year-to-date results.

|                             | Three months ended Sept. 30, |        |        | Nine months ended Sept. 30, |         |        |
|-----------------------------|------------------------------|--------|--------|-----------------------------|---------|--------|
|                             | 2023                         | 2022   | Change | 2023                        | 2022    | Change |
| Electricity income receipts | 1,277                        | 1,826  | (30)   | 3,441                       | 3,753   | (8)    |
| Operating expenses          | (1,058)                      | (546)  | 94     | (2,230)                     | (1,838) | 21     |
| Net electricity income      | 219                          | 1,280  | (83)   | 1,211                       | 1,915   | (37)   |
| Megawatts generated         | 7,576                        | 7,610  | -      | 20,009                      | 22,968  | (13)   |
| Realized prices (\$/MW):    | 172.12                       | 237.03 | (27)   | 170.49                      | 165.09  | 3      |

**OPERATING EXPENSES**

Net operating expenses were \$22,413 or \$20.72 per boe for the third quarter of 2023 as compared to \$18,529, or \$21.19 per boe in 2022. For the nine months ended September 30, net operating costs were \$71,838 or \$21.30 per boe in 2023 as compared to \$47,357 or \$18.86 per boe in 2022. Higher aggregate costs in the third quarter of 2023 were primarily associated the acquisition in October of 2022. Expense projects (workovers, site clean-ups, and facility turnarounds) in the third quarter of 2023 amounted to \$2,613 or \$2.43/boe as compared to \$2,524 or \$2.88/boe in the third quarter of 2022. Workover and turnaround projects for the year-to date of 2023 amounted to \$7,606 or \$2.25/boe as compared to \$4,779 or \$1.91/boe in 2022. For the remainder of 2023 Journey expects operating costs (net of expense recoveries and power generation expenses) to be approximately \$22-23 million for the fourth quarter or \$21/boe.

|                                                | Three months ended Sept. 30, |        |        | Nine months ended Sept. 30, |         |        |
|------------------------------------------------|------------------------------|--------|--------|-----------------------------|---------|--------|
|                                                | 2023                         | 2022   | Change | 2023                        | 2022    | Change |
| Operating expense per the financial statements | <b>24,313</b>                | 20,024 | 21     | <b>76,689</b>               | 52,142  | 47     |
| Less:                                          |                              |        |        |                             |         |        |
| Expense recoveries                             | <b>(842)</b>                 | (949)  | (11)   | <b>(2,621)</b>              | (2,947) | (11)   |
| Power generation expenses                      | <b>(1,058)</b>               | (546)  | 94     | <b>(2,230)</b>              | (1,838) | 21     |
| Net operating expenses                         | <b>22,413</b>                | 18,529 | 21     | <b>71,838</b>               | 47,357  | 52     |
| Net expense (\$ per BOE)                       | <b>20.72</b>                 | 21.19  | (2)    | <b>21.30</b>                | 18.86   | 13     |
| Net expense (% of P&NG sales)                  | <b>39.1</b>                  | 34.1   | 15     | <b>42.4</b>                 | 28.2    | 50     |

## TRANSPORTATION

Transportation expenses were \$1,005 for the third quarter of 2023, and represented 1.8% of P&NG sales for the period as compared to \$639 and 1.2% for the same quarter of 2022. The cost per boe averaged \$0.93 in the third quarter, as compared to \$0.73 per boe in the third quarter of 2022. For the nine months ended September 30, transportation expenses were \$2,951 for 2023 or 88% higher than \$1,571 for the comparable period in 2022. The higher aggregate costs were predominantly the result of transportation associated with the acquisition that occurred in October of 2022. On a per boe basis, costs were \$0.87 for the year to date in 2023 and \$0.63 for 2022. Journey is currently expecting the per boe rates for the rest of 2023 to be in the \$0.85-\$0.90 range. 45% higher crude oil sales volumes for the third quarter and 59% for the year to date were the main reason for the increase in aggregate transportation expense. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation associated with the usage of third party natural gas sales lines used before custody transfer and ultimate sale of the natural gas. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; quantities shipped, as well as ownership of the transportation facilities.

|                           | Three months ended Sept. 30, |      |        | Nine months ended Sept. 30, |       |        |
|---------------------------|------------------------------|------|--------|-----------------------------|-------|--------|
|                           | 2023                         | 2022 | Change | 2023                        | 2022  | Change |
| Transportation expense    | <b>1,005</b>                 | 639  | 57     | <b>2,951</b>                | 1,571 | 88     |
| Expense (\$ per boe)      | <b>0.93</b>                  | 0.73 | 27     | <b>0.87</b>                 | 0.63  | 38     |
| Expense (% of P&NG sales) | <b>1.8</b>                   | 1.2  | 50     | <b>1.7</b>                  | 0.9   | 89     |

## GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE

For the third quarter of 2023, G&A expense before recoveries and non-recurring items was 77% higher at \$1,950 as compared to \$1,101 in 2022. While there was new staff added to accommodate the acquisitions that occurred in 2022 this happened later in 2022 and into the third quarter of 2023. On a per boe basis G&A was \$1.80 for the third quarter of 2023, which was 43% higher than the \$1.26/boe in the third quarter of 2022.

For the nine months ended September 30, 2023 G&A expense before recoveries and non-recurring items was 3% lower at \$6,454 as compared to \$6,681 in 2022. On a per boe basis G&A was \$1.91 in 2023 or 28% lower than \$2.66 in 2022. While the aggregate expense increased with additional activity from the acquisitions, the per boe rate dropped as the sales volumes increased by 34% for the year to date.

|                                      | Three months ended Sept. 30, |       |             | Nine months ended Sept. 30, |       |             |
|--------------------------------------|------------------------------|-------|-------------|-----------------------------|-------|-------------|
|                                      | 2023                         | 2022  | %<br>Change | 2023                        | 2022  | %<br>Change |
| Expense per the financial statements | <b>1,950</b>                 | 1,101 | 77          | <b>6,454</b>                | 6,681 | (3)         |
| Add (Deduct):                        |                              |       |             |                             |       |             |
| Overhead recoveries                  | <b>994</b>                   | 905   | 10          | <b>3,340</b>                | 2,526 | 32          |
| Adjusted G&A expense<br>(\$ per boe) | <b>2,944</b>                 | 2,006 | 47          | <b>9,794</b>                | 9,207 | 6           |
| Expense per financial statements     | <b>1.80</b>                  | 1.26  | 43          | <b>1.91</b>                 | 2.66  | 28          |
| Gross expense                        | <b>2.72</b>                  | 2.30  | 18          | <b>2.90</b>                 | 3.67  | (21)        |

## FINANCE EXPENSE

Finance expense is comprised of interest on term debt; amortization of financing fees; accretion of decommissioning obligations, accretion on right-of-use assets; and miscellaneous bank charges. Aggregate finance expenses increased 15% from the third quarter of 2022 to the third quarter of 2023 mainly due to the additional term debt on the vendor-take-back (“VTB”) financing related to the October, 2022 asset acquisition. The original VTB amount was \$45 million on closing and monthly repayments are being made. The VTB debt bears interest at the rate of 10% per annum. Borrowing costs for the third quarter of 2023 increased 24% to \$2,053 in 2023 from \$1,651 in 2022. For the third quarter of 2023, the average interest-bearing debt was \$72,474, which was 7% higher than the \$67,580 for the comparable period in 2022. The average effective interest rate on outstanding borrowings was 11.2% for 2023 as compared to 9.7% in 2022. The increase in the effective rate of interest was caused by the repayment of lower costing AIMCo debt on March 31, 2023. On a per boe basis, the non-accretion related finance expense (i.e. interest on borrowings) was \$1.89 for the third quarter of 2023 as compared to \$1.87 for the same quarter in 2022, representing a 1% increase, period over period.

For the nine months to September 30 total finance expense was 24% higher in 2023 at \$12,083 as compared to \$9,749 in 2022. The two largest components of this expense are the interest incurred on borrowings of \$6,846 and the accretion on asset retirement obligations of \$4,820. Both the VTB debt and the increase in ARO from the October 2022 acquisition were the most significant contributors to the higher finance costs.

|                                      | Three months ended Sept. 30, |         |             | Nine months ended Sept. 30, |         |             |
|--------------------------------------|------------------------------|---------|-------------|-----------------------------|---------|-------------|
|                                      | 2023                         | 2022    | %<br>Change | 2023                        | 2022    | %<br>Change |
| Expense per the financial statements | <b>3,803</b>                 | 3,313   | 15          | <b>12,083</b>               | 9,749   | (24)        |
| Add (Deduct):                        |                              |         |             |                             |         |             |
| Accretion expense                    | <b>(1,639)</b>               | (1,356) | 21          | <b>(4,820)</b>              | (3,935) | 22          |
| Other amortization costs             | <b>(125)</b>                 | (323)   | (61)        | <b>(420)</b>                | (957)   | (56)        |
| Bank fees and other charges          | <b>14</b>                    | 17      | (18)        | <b>3</b>                    | 42      | (93)        |
| Expense related to borrowings        | <b>2,053</b>                 | 1,651   | 24          | <b>6,846</b>                | 4,899   | 40          |
| Average interest-bearing debt        | <b>72,474</b>                | 67,580  | 7           | <b>85,885</b>               | 67,580  | 27          |
| Effective interest rate (%)          | <b>11.2</b>                  | 9.7     | 15          | <b>10.7</b>                 | 9.7     | 10          |
| Finance expense (\$ per boe)         |                              |         |             |                             |         |             |
| Related to borrowings & fees         | <b>1.89</b>                  | 1.87    | 1           | <b>2.03</b>                 | 1.93    | 5           |
| Accretion & other amortization       | <b>1.63</b>                  | 1.92    | (15)        | <b>1.55</b>                 | 1.95    | (21)        |
| Total finance expense                | <b>3.52</b>                  | 3.79    | (7)         | <b>3.58</b>                 | 3.88    | (8)         |

## SHARE BASED COMPENSATION

Share based compensation expense was \$557 for the third quarter of 2023 as compared to \$262 in 2022. For the nine months to September 30 the aggregate expense was \$1,832 in 2023 as compared to \$1,168 in 2022. The higher stock based compensation in the third quarter and the year to date in 2023 was attributable to the amortization of share based compensation expense for new long term incentives that were granted in the third quarter of 2022. The fair value of all share-based compensation was estimated based on the date of issuance using the market price on the date of issuance and the cost is amortized over the vesting period. For performance share units an estimated performance multiplier of one times is assumed.

|                                  | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |       |             |
|----------------------------------|------------------------------|------|-------------|-----------------------------|-------|-------------|
|                                  | 2023                         | 2022 | %<br>Change | 2023                        | 2022  | %<br>Change |
| Expense per financial statements | <b>557</b>                   | 262  | 113         | <b>1,832</b>                | 1,168 | 57          |
| Expense (\$ per boe)             | <b>0.51</b>                  | 0.30 | 70          | <b>0.54</b>                 | 0.47  | 15          |

## DEPLETION AND DEPRECIATION ("D&D")

Aggregate D&D increased to \$9,518 in the third quarter of 2023 from \$5,019 in the third quarter of 2022. The increase in the aggregate D&D expense was primarily the result of the significant acquisitions in 2022 and the 24% increase in sales volumes in the third quarter of 2023 over the third quarter of 2022. While the depletable base increased from the costs from the acquisitions in April and October of 2022, the DD&A rate was mitigated by the significant proved, developed producing reserves that were acquired. On a per boe basis, D&D was \$8.80 for the third quarter of 2023 as compared to \$5.74 in the third quarter of 2022, representing a 53% increase.

For the nine months ending September 30, aggregate D&D increased by 70% from \$16,090 in 2022 to \$27,341 in 2023. On a per boe basis D&D was \$8.11 in 2023, a 27% increase from \$6.41 in 2022.

|                                 | Three months ended Sept. 30, |       |             | Nine months ended Sept. 30, |        |             |
|---------------------------------|------------------------------|-------|-------------|-----------------------------|--------|-------------|
|                                 | 2023                         | 2022  | %<br>Change | 2023                        | 2022   | %<br>Change |
| Depletion and depreciation (\$) | <b>9,518</b>                 | 5,019 | 90          | <b>27,341</b>               | 16,090 | 70          |
| Expense (\$ per boe)            | <b>8.80</b>                  | 5.74  | 53          | <b>8.11</b>                 | 6.41   | 27          |

## EXPLORATION AND EVALUATION (E&E) EXPENSE

E&E expense relates to a combination of expiries of mineral rights as well as costs related to undeveloped lands that have been transferred to PP&E assets by virtue of the lands becoming developed. During the three months ended September 30, 2023 Journey incurred an expense of \$13, as compared to \$423 expensed in 2022. For the nine months ended September 30, 2023, the expense was \$391 as compared to \$1,925 in 2022.

|             | Three months ended Sept. 30, |             |             | Nine months ended Sept. 30, |       |             |
|-------------|------------------------------|-------------|-------------|-----------------------------|-------|-------------|
|             | 2023                         | 2022        | %<br>Change | 2023                        | 2022  | %<br>Change |
| E&E expense | <b>13</b>                    | 423         | (97)        | <b>391</b>                  | 1,925 | (80)        |
| \$ per boe  | <b>0.01</b>                  | <b>0.48</b> | (98)        | <b>0.12</b>                 | 0.77  | (84)        |

## GAIN ON DISPOSITIONS

Journey disposed on four minor, non-core assets during the third quarter yielding total gains on dispositions as follows:

|                            | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |      |             |
|----------------------------|------------------------------|------|-------------|-----------------------------|------|-------------|
|                            | 2023                         | 2022 | %<br>Change | 2023                        | 2022 | %<br>Change |
| Gain on asset dispositions | <b>3,421</b>                 | -    | -           | <b>3,421</b>                | -    | -           |
| \$ per boe                 | <b>3.16</b>                  | -    | -           | <b>1.01</b>                 | -    | -           |

## LOSS ON DEBT MODIFICATION

Journey entered into an amendment with respect to one tranche of AIMCo term debt on March 31, 2023. AIMCo consented to the extension of the maturity of \$24,807 from October 31, 2023 to April 30, 2024. This change resulted in a loss from the new present value valuation of the principal amount as compared to the existing book value of the term debt. This loss will be amortized over the additional Nine months to the new maturity.

|                           | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |      |             |
|---------------------------|------------------------------|------|-------------|-----------------------------|------|-------------|
|                           | 2023                         | 2022 | %<br>Change | 2023                        | 2022 | %<br>Change |
| Loss on debt modification | -                            | -    | -           | <b>175</b>                  | -    | -           |
| \$ per boe                | -                            | -    | -           | <b>0.05</b>                 | -    | -           |

## DEFERRED INCOME TAXES

For the three month period ended September 30, 2023, there was a \$2,349 deferred income tax recovery, which resulted from the loss in the third quarter. For the nine months year to date Journey recognized a deferred tax expense of \$3,971 as compared to a recovery of \$4,811 in 2022.

|                                   | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |         |             |
|-----------------------------------|------------------------------|------|-------------|-----------------------------|---------|-------------|
|                                   | 2023                         | 2022 | %<br>Change | 2023                        | 2022    | %<br>Change |
| Deferred tax expense (recovery)   | <b>2,349</b>                 | -    | -           | <b>3,971</b>                | (4,811) | (183)       |
| Deferred tax expense (\$ per boe) | <b>2.17</b>                  | -    | -           | <b>1.18</b>                 | (1.92)  | (161)       |

Journey has available approximately \$678,929 in deductible income tax pools for future utilization. Given Journey's significant tax pools, projected cash flows and its capital spending profile the Company does not expect to be cash taxable for at least the next five years. The income tax pool balances, by category, at September 30, 2023, were as follows:

| <b>Tax Pool</b>                      | <b>Deductible rate</b>   | <b>Amount</b>  |
|--------------------------------------|--------------------------|----------------|
| Canadian oil & gas property expenses | 10% declining balance    | 165,548        |
| Canadian development expenses        | 30% declining balance    | 62,601         |
| Canadian exploration expenses        | 100%                     | 22,058         |
| Undepreciated capital costs          | 7-100% declining balance | 76,926         |
| Financing costs                      | 5 year straight line     | 3,499          |
| Non-capital losses                   | 100%                     | 348,297        |
| <b>Total</b>                         |                          | <b>678,929</b> |

On March 18, 2023 the Company issued 3,040 thousand flow-through shares for gross proceeds of \$20,125. Under the terms of the flow-through share subscription agreements, the Company is obligated to renounce qualifying income tax expenditures to the subscribers for the gross amount of the proceeds before March of 2024. Qualifying expenditures are defined as eligible Canadian Development Expenses under the Income Tax Act. As at September 30, 2023 Journey had not incurred any qualifying expenditures.

## **NETBACKS**

The operating netback of \$20.41 per boe for the third quarter of 2023 decreased 25% from \$27.24 for the same period in 2022. For the nine months ended September 30, the operating netback was \$17.67 per boe for 2023, which was a 48% decrease from \$34.10 for 2022. The decrease in the operating netback for the third quarter was mainly due to the 15% decrease in average commodity prices (including the impact of physical hedges). Commensurate with the decrease in sales prices, there was a 16% decrease in royalty expense in the third quarter and 22% decrease for the year to date. Operating expenses decreased by 2% to \$20.72/boe in the third quarter and increased by 13% to \$21.30/boe for the 2023 year to date results.

The Adjusted Funds Flow netback per boe for the third quarter of 2023 was \$17.11 per boe, which was 34% lower than the \$25.98 in the same quarter of 2022. The most significant contributor to the lower netback in 2023 was the aforementioned 15% decrease in average commodity prices. However, this was partially offset by a 16% decrease in royalty expense. Interest on borrowings increased marginally to \$1.89/boe in the third quarter of 2023 from \$1.87 in the third quarter of 2022. While there were higher aggregate interest costs, they were averaged over higher production volumes that primarily resulted from the October, 2022 acquisition. For the nine month periods, the Adjusted Funds Flow netback decreased 53% from \$30.46 per boe in 2022 to \$14.17 in 2023.

After taking into account the non-cash items, there was a net income netback of \$7.13 per boe for the third quarter of 2023 as compared to income of \$17.71 in 2022. For the nine months ended September 30, 2023 the net income netback was \$3.67 per boe as compared to \$22.86 in the same period of 2022.

|                             | Three months ended Sept. 30, |         |        | Nine months ended Sept. 30, |         |        |
|-----------------------------|------------------------------|---------|--------|-----------------------------|---------|--------|
|                             |                              |         | %      |                             |         | %      |
| (\$ per boe)                | 2023                         | 2022    | Change | 2023                        | 2022    | Change |
| <b>Realized price</b>       | <b>52.96</b>                 | 62.06   | (15)   | <b>50.18</b>                | 66.92   | (25)   |
| Royalties                   | <b>(10.90)</b>               | (12.90) | (16)   | <b>(10.34)</b>              | (13.33) | (22)   |
| Operating expenses          | <b>(20.72)</b>               | (21.19) | (2)    | <b>(21.30)</b>              | (18.86) | 13     |
| Transportation expenses     | <b>(0.93)</b>                | (0.73)  | 27     | <b>(0.87)</b>               | (0.63)  | 38     |
| <b>Operating</b>            | <b>20.41</b>                 | 27.24   | (25)   | <b>17.67</b>                | 34.10   | (48)   |
| General and administrative  | <b>(1.80)</b>                | (1.26)  | 43     | <b>(1.91)</b>               | (2.66)  | (28)   |
| Finance expense - interest  | <b>(1.89)</b>                | (1.87)  | 1      | <b>(2.03)</b>               | (1.93)  | 5      |
| Other income                | <b>0.39</b>                  | 1.87    | (79)   | <b>0.44</b>                 | 0.95    | (54)   |
| <b>Adjusted Funds Flow</b>  | <b>17.11</b>                 | 25.98   | (34)   | <b>14.17</b>                | 30.46   | (53)   |
| Other income                | -                            | 0.26    | (100)  | <b>0.05</b>                 | 0.17    | (71)   |
| Share based compensation    | <b>(0.51)</b>                | (0.30)  | (70)   | <b>(0.54)</b>               | (0.47)  | 15     |
| Depletion and depreciation  | <b>(8.80)</b>                | (5.74)  | 53     | <b>(8.11)</b>               | (6.41)  | 27     |
| Loss on debt modification   | -                            | -       | -      | <b>(0.05)</b>               | -       | -      |
| Gain on PP&E dispositions   | <b>3.16</b>                  | -       | -      | <b>1.01</b>                 | -       | -      |
| Finance expense - accretion | <b>(1.63)</b>                | (1.92)  | (15)   | <b>(1.55)</b>               | (1.95)  | (21)   |
| Exploration & evaluation    | <b>(0.01)</b>                | (0.48)  | (98)   | <b>(0.12)</b>               | (0.77)  | (84)   |
| Deferred tax                | <b>(2.17)</b>                | -       | -      | <b>(1.18)</b>               | 1.92    | (161)  |
| Transaction costs           | <b>(0.02)</b>                | (0.09)  | (78)   | <b>(0.01)</b>               | (0.09)  | (89)   |
| <b>Net income</b>           | <b>7.13</b>                  | 17.71   | (60)   | <b>3.67</b>                 | 22.86   | (84)   |

#### NET INCOME AND COMPREHENSIVE INCOME (LOSS), ADJUSTED FUNDS FLOW AND CASH FROM OPERATING ACTIVITIES

There was net income for the three months ended September 30, 2023 of \$7,712 as compared to earnings of \$15,479 in 2022. During the third quarter of 2023, Journey realized net income per share of \$0.13 per basic and \$0.11 per diluted share as compared to \$0.29 per basic share and \$0.26 per diluted share in the same quarter of 2022. There was net income of \$12,379 for the nine months ended September 30, 2023, which translated into \$0.21 per basic share and \$0.19 per diluted share as compared to net income of \$57,445 or \$1.12 per basic and \$0.99 per diluted share in 2022.

Adjusted Funds Flow during the third quarter of 2023 were \$18,513, a decrease of 18% from \$22,715 realized in 2022. For the nine months ended September 30, Adjusted Funds Flow decreased 38% from \$76,497 in 2022 to \$47,764 in 2023. The decrease was significantly attributable to the decrease in both crude oil and natural gas prices in 2023 from the levels experienced in 2022. Adjusted Funds Flow per share was \$0.80 per basic share and \$0.72 per diluted share in 2023 as compared to \$1.49 per basic share and \$1.32 per diluted share in 2022.

Cash flow provided by operating activities ("Cash Flow") is the IFRS financial statement measure, which represents how much cash, was generated by Journey's business operations. Cash Flow for the third quarter of 2023 was \$11,569 versus \$33,422 during the same quarter of 2022. For the nine months year to date Cash Flow was \$35,365 in 2023 as compared to \$81,277 in 2022.

|                                            | Three months ended Sept. 30, |        |        | Nine months ended Sept. 30, |        |        |
|--------------------------------------------|------------------------------|--------|--------|-----------------------------|--------|--------|
|                                            | 2023                         | 2022   | Change | 2023                        | 2022   | Change |
| <b>Per share data</b>                      |                              |        |        |                             |        |        |
| Net income and comprehensive income (loss) | <b>7,712</b>                 | 15,479 | (50)   | <b>12,379</b>               | 57,445 | (78)   |
| Basic (\$/share)                           | <b>0.13</b>                  | 0.29   | (55)   | <b>0.21</b>                 | 1.12   | (81)   |
| Diluted (\$/share)                         | <b>0.11</b>                  | 0.26   | (58)   | <b>0.19</b>                 | 0.99   | (81)   |
| Adjusted Funds Flow                        | <b>18,513</b>                | 22,715 | (18)   | <b>47,764</b>               | 76,497 | (38)   |
| Basic (\$/share)                           | <b>0.30</b>                  | 0.43   | (30)   | <b>0.80</b>                 | 1.49   | (46)   |
| Diluted (\$/share)                         | <b>0.28</b>                  | 0.38   | (26)   | <b>0.72</b>                 | 1.32   | (45)   |
| Cash flow provided by operating activities | <b>11,569</b>                | 33,422 | (65)   | <b>35,365</b>               | 81,277 | (56)   |
| Basic (\$/share)                           | <b>0.19</b>                  | 0.63   | (70)   | <b>0.59</b>                 | 1.58   | (63)   |
| Diluted (\$/share)                         | <b>0.17</b>                  | 0.56   | (70)   | <b>0.54</b>                 | 1.40   | (61)   |

## CAPITAL EXPENDITURES

For the third quarter of 2023, Journey spent \$5,837 in total capital expenditures. Of this amount, Journey spent \$2,283 on recompletion work and work on its drilling program. In addition, \$1,958 was spent on the advancement of the Gilby power generation project, which is currently projected to start operations in the third quarter of 2024. The Company sold four small, non-core properties in the quarter and acquired one property in its core area of Gilby. Capital additions for the respective three and nine month periods is broken down as follows:

|                                          | Three months ended Sept. 30, |         |        | Nine months ended Sept. 30, |         |        |
|------------------------------------------|------------------------------|---------|--------|-----------------------------|---------|--------|
|                                          | 2023                         | 2022    | Change | 2023                        | 2022    | Change |
| <u>Cash expenditures:</u>                |                              |         |        |                             |         |        |
| Land and lease rentals                   | <b>102</b>                   | 240     | (58)   | <b>1,561</b>                | 806     | 94     |
| Geological and geophysical               | -                            | 16      | (100)  | <b>278</b>                  | 63      | 341    |
| Drilling and completions                 | <b>2,283</b>                 | 9,365   | (76)   | <b>4,468</b>                | 25,788  | (83)   |
| Well equipment and facilities            | <b>1,494</b>                 | 2,187   | (32)   | <b>4,677</b>                | 6,272   | (25)   |
| Power generation                         | <b>1,958</b>                 | 350     | 460    | <b>5,179</b>                | 2,678   | 93     |
| Total capital expenditures               | <b>5,837</b>                 | 12,158  | (52)   | <b>16,163</b>               | 35,607  | (55)   |
| Corporate acquisition (cash plus equity) | -                            | -       | -      | -                           | 18,920  | (100)  |
| PP&E acquisitions                        | <b>1,770</b>                 | 2,945   | (40)   | <b>13,309</b>               | 7,897   | 69     |
| PP&E dispositions                        | <b>(4,603)</b>               | (2,641) | 74     | <b>(5,644)</b>              | (3,000) | 88     |
| Net capital expenditures                 | <b>3,004</b>                 | 12,462  | (76)   | <b>23,828</b>               | 59,424  | (60)   |
| <u>Other expenditures:</u>               |                              |         |        |                             |         |        |
| ARO costs incurred (internal plus SRP)   | <b>480</b>                   | 1,228   | (61)   | <b>3,665</b>                | 2,526   | 45     |
| Total expenditures                       | <b>3,484</b>                 | 13,690  | (75)   | <b>27,493</b>               | 61,950  | (56)   |

The wells drilled in the third quarter of 2023 were drilled in the Medicine Hat core area and rig-released in late September.

|                      | Three months ended Sept. 30, |            |              |            | Nine months ended Sept. 30, |            |              |            |
|----------------------|------------------------------|------------|--------------|------------|-----------------------------|------------|--------------|------------|
|                      | 2023                         |            | 2022         |            | 2023                        |            | 2022         |            |
| <b>Wells drilled</b> | <b>Gross</b>                 | <b>Net</b> | <b>Gross</b> | <b>Net</b> | <b>Gross</b>                | <b>Net</b> | <b>Gross</b> | <b>Net</b> |
| Oil wells            | <b>3</b>                     | <b>2.2</b> | 3            | 2.5        | <b>3</b>                    | <b>2.2</b> | 8            | 7.5        |
| Gas wells            | -                            | -          | 1            | 1.0        | -                           | -          | 1            | 1.0        |
| Total                | <b>3</b>                     | <b>2.2</b> | 4            | 3.5        | <b>3</b>                    | <b>2.2</b> | 9            | 8.5        |
| Success rate (%)     | <b>100</b>                   | <b>100</b> | 100          | 100        | <b>100</b>                  | <b>100</b> | 100          | 100        |

## **DECOMMISSIONING LIABILITIES (“DL”)**

At September 30, 2023, Journey has recorded a DL of \$158,424 (\$193,698 at December 31, 2022) for the future abandonment and reclamation of the Company’s net ownership interests in its assets. The estimated DL includes numerous assumptions in respect of: the actual costs to abandon wells, pipelines and facilities; and reclaim the surface access; the time frame in which such costs will be incurred; and annual inflation factors in order to calculate the undiscounted total future liability. The present value of the future liability at September 30, 2023 has been escalated using an inflation rate of 1.75% (December 31, 2022 - 2.1%) and then discounted using a risk-free rate of 3.8% (December 31, 2022 – 3.3%). The Company estimates the total undiscounted, un-escalated amount of cash flows required to settle its decommissioning obligations at September 30, 2023 to be \$257,811 (December 31, 2022 - \$259,615) the majority of which, will be incurred at various times between 2023 and 2059.

Accretion charges of \$1,463 for the three months ended September 30, 2023 (September 30, 2022 - \$1,044), and \$4,184 (September 30, 2022 - \$3,007) for the three and nine month periods respectively, have been recognized in the statements of comprehensive net income to reflect the increase in DL associated with the passage of time. Spending under Journey’s abandonment and reclamation program, and including SRP Funding, for the three and nine month periods ended September 30, 2023 was \$480 and \$3,665 respectively (September 30, 2022 - \$1,228 and \$2,526 respectively).

Abandonment and reclamation activities continue to be made in a prudent, responsible manner by Journey with the oversight of the Health, Safety and Environment Committee of the Board. Ongoing abandonment expenditures for all of Journey’s assets are funded entirely out of Adjusted Funds Flow from operating activities. Journey’s Liability Management Rating is within the Alberta Energy Regulator’s requirements, such that no deposits are required or expected to be required at September 30, 2023 and at the date of this MD&A. Journey has applied for and has been approved for DL funding under the Government’s Site Rehabilitation Program (“SRP”). Journey earned \$167 of SRP funding in 2023.

## **LEASE OBLIGATION LIABILITIES (“LO”)**

At September 30, 2023, Journey’s discounted lease obligations were \$1,763 (December 31, 2022 - \$1,709). The discounted lease obligations are accreted up to their eventual future cash obligation through a charge to finance expense. Accretion charges of \$52 and \$149 for the three and nine months ended September 30, 2023 have been recognized in the statements of comprehensive net income to reflect the increase in the LO associated with the passage of time. For the three and nine months ended September 30, 2022 accretion charges were \$34 and \$89 respectively. Expenditures for the LO for the three and nine month periods ended September 30, 2023 were \$110 and \$295 respectively. For the three and nine month periods in 2022, the expenditures were \$84 and \$247.

## **LIQUIDITY AND CAPITAL RESOURCES**

The financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The financial landscape for Journey has continuously improved throughout 2021, 2022 and 2023 post-pandemic. The improvement in commodity prices and the growth through acquisitions have been positive influences in improving the outlook for the Company's liquidity.

Net Debt of the Corporation at September 30, 2023 was \$59,781. The Company's capital spending has been adjusted downward for 2023 and coupling this with the net proceeds of the flow through share equity issuance in March of 2023, Journey is well positioned to exit the year with Net Debt between \$61 and \$63 million, which is less than a one times net debt to annualized Adjusted Funds Flow ratio. On March 23, 2023 Journey completed a flow-through share equity offering for gross proceeds (before costs) of \$20,125. The proceeds of the offering will be used to fund Journey's drilling program in 2023 and the first quarter of 2024.

Under the AIMCo credit facility, the Company is required to maintain a Liability Management Rating ("LMR") greater than 1.5. The Company was in compliance with this requirement as at September 30, 2023 and remains in compliance as of the date of these MD&A with a 1.95 rating.

As part of the significant acquisition on October 31, 2022 Journey issued a \$45.0 million vendor-take-back debt that has monthly payments of principal and interest. The principal repayments are tied to the price of WTI oil in the preceding month of the payment. So far in 2023 Journey has made \$18.0 million repayments of principal and the balance outstanding as at September 30, 2023 was \$25.0 million. Any balance remaining after taking into account the variable monthly payments will be due on final maturity date of October 31, 2024. On March 31, 2023 Journey repaid \$23.8 million of term debt to its senior, secured term debt holder, AIMCo. On the same day, and with a view to assisting with the liquidity of Journey, AIMCo agreed to extend the maturity of the \$24.7 million tranche of term debt that was previously due on October 31, 2023 for nine months to a new maturity of April 30, 2024. Journey has adjusted its capital program in the fourth quarter of 2023 and the first quarter of 2023 with the goals of meeting its flow through share obligation, and making the repayment due to AIMCo on April 30, 2024. Based on its current forecast, Journey is forecast to fulfil both the flow through share and AIMCo commitments.

Journey's capital structure is made up of the following as at September 30 of the respective years:

|                                       | <b>2023</b>    | <b>2022</b> |
|---------------------------------------|----------------|-------------|
| Shares outstanding                    | <b>60,922</b>  | 52,722      |
| Share closing market price (\$/share) | <b>\$5.44</b>  | \$4.71      |
| Market capitalization                 | <b>331,416</b> | 248,323     |
| Net debt                              | <b>59,781</b>  | 16,781      |
| Total capitalization                  | <b>391,197</b> | 265,104     |

## **RELATED PARTY TRANSACTIONS**

The Company considers its directors and executives to be key management personnel and are therefore related parties. For the three month periods ended September 30, compensation for these individuals is comprised of the following:

|                              | Three months ended Sept. 30, |      |             | Nine months ended Sept. 30, |       |             |
|------------------------------|------------------------------|------|-------------|-----------------------------|-------|-------------|
|                              | 2023                         | 2022 | %<br>Change | 2023                        | 2022  | %<br>Change |
| Salaries and director fees   | 482                          | 405  | 19          | 1,325                       | 1,140 | 16          |
| Short-term employee benefits | 44                           | 36   | 22          | 116                         | 84    | 38          |
| Share based payments (i)     | 120                          | 132  | (9)         | 647                         | 440   | 47          |
| Total                        | 646                          | 573  | 13          | 2,088                       | 1,664 | 25          |

- (i) These amounts represent the amortization of share based compensation associated with the Company's share based compensation plans.
- (ii) As at September 30, 2023 there were twelve (September 30, 2022 – eleven) individuals that were considered 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.

## CONTRACTUAL OBLIGATIONS

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

- (a) The amounts in the table below are the minimum cash obligations that the Company must pay under the terms of the following contracts:

|                                 | Total   | < 1 year | 2-3<br>years | 4-5<br>years |
|---------------------------------|---------|----------|--------------|--------------|
| Term debt – AIMCo               | 43,763  | 24,700   | 19,063       | -            |
| VTB term loan                   | 25,000  | 24,000   | 1,000        | -            |
| Interest on term borrowings     | 6,888   | 6,095    | 793          | -            |
| Other loans                     | 419     | 42       | 377          | -            |
| Natural gas transportation      | 4,215   | 1,660    | 2,141        | 414          |
| Operating leases                | 4,216   | 1,098    | 3,118        | -            |
| Flow through share renunciation | 20,125  | 20,125   | -            | -            |
| Total                           | 104,626 | 77,678   | 26,534       | 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.

## OFF BALANCE SHEET FINANCINGS

There were no off balance sheet financings during the period.

## SHARE CAPITAL

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

| <i>(000's)</i>                  | <b>November 7,<br/>2023</b> | <b>September 30,<br/>2023</b> | September 30,<br>2022 |
|---------------------------------|-----------------------------|-------------------------------|-----------------------|
| Common shares outstanding       | 60,922                      | <b>60,922</b>                 | 52,722                |
| Options, warrants, share awards | 6,946                       | <b>6,946</b>                  | 8,324                 |
| Fully diluted shares            | 67,868                      | <b>67,868</b>                 | 61,046                |

The weighted average shares outstanding at the respective periods are:

|         | Three months ended Sept. 30, |        |             | Nine months ended Sept. 30, |        |             |
|---------|------------------------------|--------|-------------|-----------------------------|--------|-------------|
|         | <b>2023</b>                  | 2022   | %<br>Change | <b>2023</b>                 | 2022   | %<br>Change |
| Basic   | <b>60,922</b>                | 52,735 | 16          | <b>60,009</b>               | 51,317 | 17          |
| Diluted | <b>67,080</b>                | 59,563 | 13          | <b>66,036</b>               | 58,064 | 14          |

## SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

|                                               | Sept. 30,<br>2023 | Jun. 30,<br>2023 | Mar. 31,<br>2023 | Dec. 31,<br>2022 |
|-----------------------------------------------|-------------------|------------------|------------------|------------------|
| Production (boe/d)                            | 11,756            | 12,400           | 12,920           | 11,496           |
| Average prices realized, pre-hedging (\$/boe) | 52.96             | 47.28            | 50.26            | 63.82            |
| Petroleum and natural gas sales               | 57,279            | 53,513           | 58,443           | 67,531           |
| Net income (loss)                             | 7,712             | (1,773)          | 6,440            | 97,753           |
| Basic – per share (\$/share)                  | 0.13              | (0.03)           | 0.11             | 1.73             |
| Diluted – per share (\$/share)                | 0.11              | (0.03)           | 0.10             | 1.55             |
| Adjusted Funds Flow                           | 18,513            | 11,292           | 17,959           | 24,890           |
| Basic – per share (\$/share)                  | 0.30              | 0.18             | 0.31             | 0.44             |
| Diluted – per share (\$/share)                | 0.28              | 0.17             | 0.28             | 0.40             |
| Cash flow provided by operating activities    | 11,569            | 12,335           | 11,461           | 25,346           |
| Total assets                                  | 589,031           | 610,680          | 618,583          | 639,195          |
| Net capital expenditures                      | 3,004             | 14,006           | 6,818            | 121,376          |
| Long term financial liabilities               | 172,780           | 206,720          | 236,360          | 226,026          |
| Net debt                                      | 59,781            | 74,662           | 71,071           | 98,768           |

|                                               | Sept. 30,<br>2022 | Jun. 30,<br>2022 | Mar. 31,<br>2022 | Dec. 31,<br>2019 |
|-----------------------------------------------|-------------------|------------------|------------------|------------------|
| Production (boe/d)                            | 9,504             | 9,590            | 8,492            | 8,554            |
| Average prices realized, pre-hedging (\$/boe) | 62.06             | 77.84            | 60.00            | 50.40            |
| Petroleum and natural gas sales               | 54,265            | 67,929           | 45,858           | 39,664           |
| Net earnings (loss)                           | 15,479            | 28,197           | 13,769           | 5,545            |
| Basic – per share (\$/share)                  | 0.29              | 0.54             | 0.28             | 0.12             |
| Diluted – per share (\$/share)                | 0.26              | 0.47             | 0.25             | 0.10             |
| Adjusted Funds Flow                           | 22,715            | 33,381           | 20,401           | 16,562           |
| Basic – per share (\$/share)                  | 0.43              | 0.63             | 0.42             | 0.35             |
| Diluted – per share (\$/share)                | 0.38              | 0.56             | 0.36             | 0.31             |
| Cash flow from operations                     | 33,422            | 26,044           | 21,811           | 16,007           |
| Total assets                                  | 413,626           | 389,186          | 361,683          | 357,211          |
| Net capital expenditures                      | 12,236            | 34,801           | 12,162           | 3,398            |
| Long term financial liabilities               | 175,364           | 182,000          | 198,089          | 225,109          |
| Net debt                                      | 16,781            | 29,676           | 38,481           | 57,021           |

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

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

- Average sales volumes were 5% lower in the third quarter of 2023 compared to the second quarter due to natural declines and no new wells brought on-stream. The drilling program commenced late in the quarter and the results will be reflected in the next quarter. Average prices were 12% higher in the third quarter compared to the second quarter. As a result Adjusted Funds Flow was 64% higher than the second quarter at \$18.5 million. Due to the limited net capital spending and some small non-core dispositions in the quarter, resulting in a net spend of \$3.0 million, Journey was able to reduce its net debt to \$59,781. Construction of the Gilby power plant continued in the quarter with Journey spending \$2.0 million in the quarter.
- Average commodity prices decreased by 5% from the first quarter to the second quarter of 2023 as the expected demand from China reopening did not materialize. In addition, a warm winter depressed natural gas prices that continued into the third quarter. Wildfires in Alberta during the third quarter created some producing well shut-ins and sales volumes declined by 4% quarter over quarter. These challenges caused Adjusted Funds Flow to decrease by 37% from the first quarter to \$11,292. Journey's capital program (including ARO spending) was \$14,808 and because this exceeded Adjusted Funds Flow the net debt increased to \$74,662. The majority of capital spending in the quarter was restricted to the acquisition of the Mazeppa power generation assets, and final adjustments from the Enerplus purchase that closed in October. The combination of these two items comprised \$11.5 million of total capital.
- On the back of the significant acquisition that closed October 31, 2022 sales volumes increased to 12,920 boe/d (55% crude oil and NGL's) in the first quarter of 2023 from 11,496 boe/d in the fourth quarter of 2022. Average realized prices softened by 21% to \$50.26/boe from the fourth quarter of 2022 due to persistent global recession fears and a warmer than normal winter. Adjusted Funds Flow was \$17,959 or \$0.31 per basic weighted average share. Net debt decreased to \$71,071 at March 31 as Journey underspent its cash flow in its capital spending program and

concentrated on repaying its vendor take back debt as well as making its balloon payment to AIMCo on March 31 in the amount of \$23.8 million. To buttress the Company's liquidity, Journey closed on a flow-through share private placement on March 23 for the issuance of 3.04 million shares at a price of \$6.62 per share; and made an agreement with AIMCo to defer the \$24.7 million debt maturity from October 31, 2023 to April 30, 2024.

- Average commodity prices continued to be solid during the fourth quarter at \$63.82/boe (before hedging gains), which were consistent with the \$62.06/boe realized in the third quarter. Realized oil prices decreased 13% from the previous quarter while natural gas prices increased by 33%. Sales volumes increased in the fourth quarter to 11,496 boe/d as compared to 9,504 boe/d in the third quarter. The increase was largely due to the 4,000 boe/d acquisition that Journey closed on October 31. Journey generated quarterly adjusted funds flow of \$24,890 or \$0.44 per basic weighted average share. Journey's power project continued to perform well and generated 8,199 MW of electricity at an average price of \$241.25/MW (including Option M credits). Net debt at the end of the quarter was \$98,768, which was 489% above the September 30, 2022 amount of \$16,781. The increase in net debt was primarily due to the debt incurred to close the asset acquisition on October 31.
- Commodity prices continued to be solid in the third quarter at \$62.06/boe, but generally were lower than the \$77.84/boe realized in the third quarter. Realized oil prices decreased 17% from the previous quarter while natural gas prices decreased by 44%. Sales volumes were fairly flat during the third quarter at 9,504 boe/d as compared to 9,590 boe/d in the third quarter. Journey generated quarterly adjusted funds flow of \$22,715 or \$0.43 per basic weighted average share. Journey's power project continued to perform well and generated 7,610 MW of electricity at an average price of \$232.24/MW (including Option M credits). Net debt at the end of the quarter was \$16,781, which was 43% below the September 30, 2022 amount of \$29,676. The Company was positioning itself throughout the quarter financially to complete the acquisition that closed on October 31, 2022.
- Commodity prices continued to be strong in the third quarter with Journey realizing an average of \$77.84/boe. Realized oil prices increased 21% from the previous quarter while natural gas prices increased by 54%. Sales volumes were higher by 13% from the first quarter at 9,590 boe/d as compared to 8,492 boe/d in the previous quarter. Journey completed the corporate acquisition of a private company on April 1, 2022 which added approximately 770 boe/d (51% natural gas) for the quarter. Journey generated record quarterly adjusted funds flow of \$33,381 or \$0.63 per basic weighted average share. Journey also acquired a 43.75% working interest in a gas plant and a 50% ownership in a gathering system that it already had ownership in further buttressing and diversifying its cash flows. Journey's power project continued to perform well and generated 7,807 MW of electricity at an average price of \$137/MW. Net debt at the end of the quarter was \$29,676, which was 23% below the March 31, 2022 amount of \$38,481.
- The first quarter of 2022 showed continued improvement in all commodity prices with Journey realizing an average of \$60.00/boe. Realized oil prices increased 30% from the previous quarter while natural gas prices increased by 2%. Sales volumes were relatively flat from the further quarter of 2021 at 8,492 boe/d as compared to 8,554 boe/d in the previous quarter. Even with inflationary pressures on all operating costs Journey was able to generate net income of \$13,769 and \$20,401 in Adjusted Funds Flow. Journey returned to drilling its first wells in over two years and spent \$12,162 in net capital during the first quarter. Journey's power project continued to perform well and generated 7,550 MW of electricity at an average price of \$112/MW. Journey raised \$12.1 million in a flow-through share offering that closed on March 18. The proceeds from the offering will be used to help fund the Company's 2022 drilling program. Net debt at the end of the quarter was \$38,481, which was 33% below the December 31, 2021 amount.

- The fourth quarter of 2021 continued with strength in commodity prices. Journey realized an average of \$50.40/boe, a 14% improvement over the third quarter. Realized natural gas prices increased 30% from the previous quarter while realized crude oil prices increased 9%. PN&G sales volumes of 8,554 boe/d were 5% higher than the third quarter (53% natural gas). The increase was mainly attributable to there being a full quarter of production realized from the corporate acquisition on August 18 of approximately 600 boe/d (68% natural gas). Increased operating expenses from inflationary pressures and workover expenses, plus the increased royalties resulting from higher prices, offset some of the gains in commodity prices during the quarter. Journey generated strong Adjusted Funds Flow of \$16,562 in the quarter or \$0.35 per basic weighted average share. Capital spending was minimal at \$3,398 and was limited to small optimization projects, and several small strategic royalty acquisitions as Journey continued its theme of strengthening the balance sheet leading into 2022. Journey exited the quarter with net debt of \$57,021, which was 39% lower than the \$94,162 at the beginning of 2021.

## **CRITICAL ACCOUNTING ESTIMATES**

The consolidated interim financial statements for the three months ended September 30, 2023 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2022.

A summary of the significant accounting policies used by Journey can be found in Note 3 of the December 31, 2022 audited consolidated financial statements. Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2022 discloses the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements. The December 31, 2022, audited consolidated financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

## **CHANGES IN ACCOUNTING POLICIES**

There were no new IFRS accounting standards adopted in 2023.

There were no new or amended accounting standards or interpretations issued during the period ended September 30, 2023 that will materially affect the Company's future reporting periods.

## **RISK FACTORS AND RISK MANAGEMENT**

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

### Commodity Price Risk

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

The risk associated with using these derivative contracts include: commodity prices moving materially in favor of the counter-party and the credit risk associated with the collection of settlements from price movements in Journey's favor. Journey mitigates these risks by dealing with its main commodity purchaser as the primary counterparty.

### Foreign Exchange Risk

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

### Liquidity Risk

Liquidity risk is impacted by many things both internal and external to Canada. Currently, the world is battling inflationary forces that requires governments to take fiscal action that can be detrimental to economies. The current challenging economic climate has had, and may continue to have significant adverse impacts on the Corporation including:

- material declines in revenue and cash flows a result of the collapse in commodity prices and reductions in production levels;
- reduced capital programs which could have further negative effects on production levels;
- declines in commodity prices, revenue and cash flows have resulted in material impairments and could result in further impairment charges;
- inability to comply with debt covenants and restrictions in lending agreements;
- increased risk of collection of accounts receivable and customer defaults.

The Company continues to make substantial progress in reducing its overall debt position using its cash generated from operations. Commodity prices and the general economic environment continue to be volatile, increasing the risk that cash flow from operations could decline, which could result in Journey being unable to fund upcoming debt maturities. Journey is dependent on current commodity pricing to enable it to generate cash flow necessary to fund debt repayments. The following table details Journey's financial liabilities as at September 30, 2023:

|                                          | <b>Total</b>   | <b>&lt; 1 year</b> | <b>1-3 years</b> | <b>4-5 years</b> |
|------------------------------------------|----------------|--------------------|------------------|------------------|
| Accounts payable and accrued liabilities | <b>42,751</b>  | 42,751             | -                | -                |
| Term debt – AIMCo                        | <b>43,763</b>  | 24,700             | 19,063           | -                |
| VTB loan                                 | <b>25,000</b>  | 24,000             | 1,000            | -                |
| Interest on term debt                    | <b>6,888</b>   | 6,095              | 793              | -                |
| Other loans                              | <b>419</b>     | 42                 | 377              | -                |
| Natural gas transportation               | <b>4,215</b>   | 1,660              | 2,141            | 414              |
| Operating leases                         | <b>4,216</b>   | 1,098              | 3,118            | -                |
| <b>Total financial liabilities</b>       | <b>127,252</b> | 100,346            | 26,492           | 414              |

Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a high degree of measurement uncertainty during this volatile period.

Journey maintains short-term and long-term cash forecasting based on estimated production levels and estimated pricing in order to proactively enact changes to its capital spending to maintain a reasonable working capital balance. The projected balance of cash reserves (existing and forecasted) for Journey is assessed by Management to be sufficient to ensure obligations will be met as they come due.

#### Credit Risk

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

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

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

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

#### Credit Facility Risk

There is still a risk that give the residual impact of the pandemic, the Ukraine-Russia war, and the resulting volatility surrounding commodity prices, that Journey may not be able to make its scheduled principal and interest payments on its term debt. While AIMCo, as the largest shareholder of Journey, has been supportive of Journey, there is no assurance that they will not enforce their security should the payments not be made. In addition, the vendor-take-back debt issued in October of 2022 has a specific asset security associated with it. Should Journey not make its monthly payments, Enerplus Corporation could enforce its right to this security in the event of a default.

#### Access to Capital Markets

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

- Internally generated Adjusted Funds Flows;
- Debt may be utilized to expand capital programs when deemed appropriate; and
- Additional equity, if available and on terms acceptable to the Company, may be used to expand or support exploration and development programs and fund acquisitions.

#### Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the future funds flows from the Company's financial assets or liabilities. After October 30, 2020 (the date of the buyout of the bank debt) the majority of Journey's borrowings are comprised of term debt, which carry fixed interest rates. However, as these various tranches of term debt mature, Journey will need to renegotiate new terms to the extent that the debt is not repaid at maturity. The interest rates could increase materially upon these renegotiations to the extent market interest rates have moved upward.

#### The maturing Western Canadian Sedimentary Basin

Land and producing assets are becoming increasingly scarce and more expensive. The Company mitigates these risks by developing its core areas to gain efficiencies. In addition, the Company participates in

several farm-in opportunities wherein its exposure to increasing land prices is minimized. For riskier, exploration projects, the Company will solicit partner participation to limit the downside exposure.

#### Increasing United States Oil and Natural Gas Supply

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

#### Operating and finding and development costs

The industry experiences significant cost swings for its services. Field activity has accelerated with the increase in commodity prices. Service companies have not staffed back up to pre-COVID levels and as a result demand for services have outstripped the supply and significant cost inflation has been taking place. The Company mitigates risks by entering into strategic joint ventures to reduce exposure to high costs and diversify drilling risks. The Company employs experienced and motivated staff to evaluate and generate high quality drilling prospects. In addition, the Company seeks to utilize appropriate technology and responsible operating practices in operating its wells. The Company utilizes appropriate safety programs and insurance coverage to guard against potential losses. Concentrating on core areas wherein Journey has high degrees of ownership and operatorship further mitigates increasing operating costs as economies of scale are gained. Journey attempts to minimize finding risk by:

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

#### Administrative Risks

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

#### Competition

The petroleum industry is competitive in all its phases. The Company competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The Company's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural

gas include price, methods, and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

#### Environmental Regulations

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

#### Regulatory Risk

There can be no assurance that government regulations including: royalties, income taxes, environmental laws and other regulatory requirements will not be changed in a manner, which would adversely affect the Company or its shareholders. While Journey has no control over these regulatory risks, it monitors these changes by participating in industry organizations and wherever possible offering assistance in lobbying for any proposed changes which will benefit all stakeholders. The AER has made changes to its LLR program whereby operators are rated with respect to the value of their assets versus the estimated abandonment and reclamation obligation. Operators with a rating of less than one-to-one, are required to post deposits with the AER. Journey's rating is currently 2.11 and the Company does not expect to post any such deposits in the near future.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Journey's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the interim period ending September 30, 2023, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporations ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Journey is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Journey disclose in its most recent interim period any material weaknesses in Journey's internal control over financial and/or any changes in Journey's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Journey's internal controls over financial reporting.

Journey confirms that no material weaknesses or such changes were identified in Journey's internal controls over financial reporting during the third quarter of 2023.

The September 30, 2023 condensed consolidated interim financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as the Company's website at [www.journeyenergy.ca](http://www.journeyenergy.ca).