Journey Energy

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Company Profile

January 15, 2025

Management

Alex Verge, President & CEO
Gerald Gilewicz, CFO
Brett Boklaschuk, VP Exploration
Aaron Bell, VP Engineering
Guido De Ciancio, VP Land
Richard Tracy, VP Operations
Ryan Yates, VP Business Dev

www.journeyenergy.ca

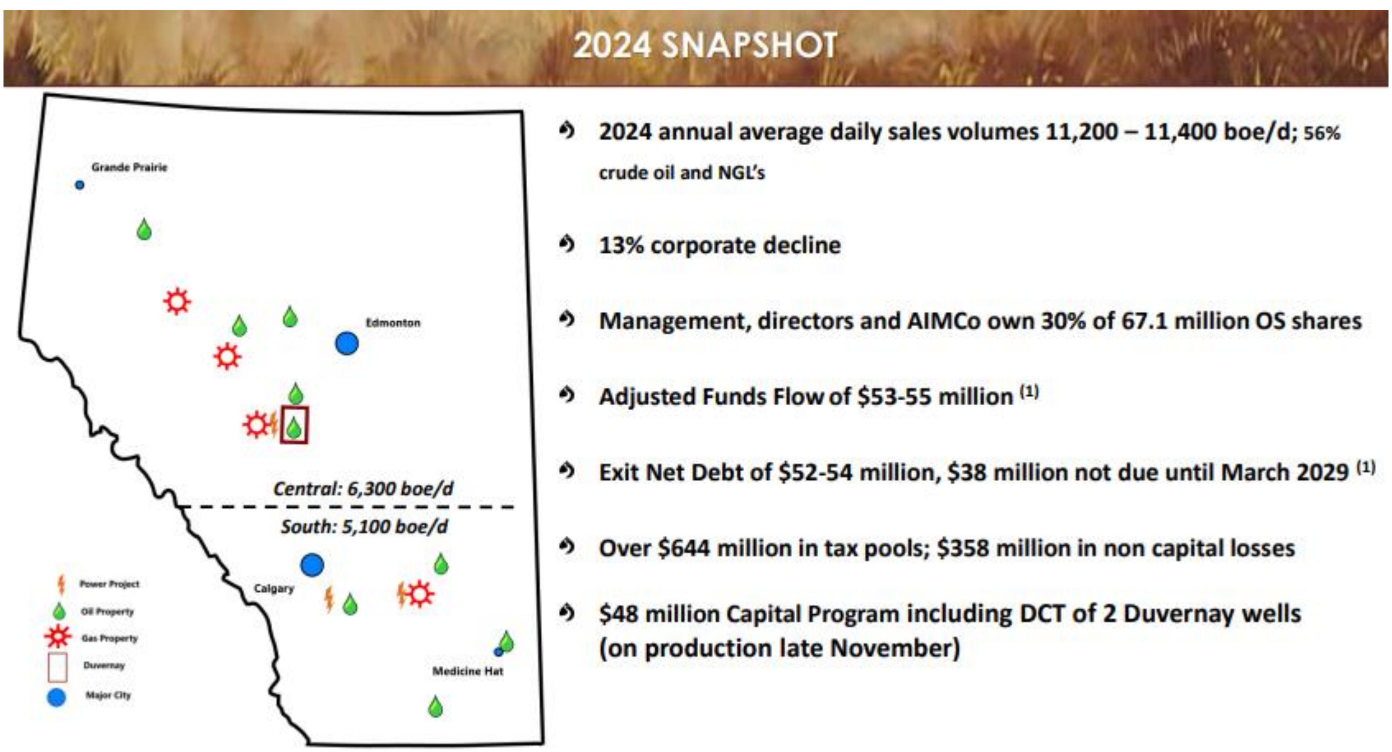
Commentary by Dan Steffens

Journey Energy (JOY.TO and JRNGF) is a recent addition to our **Small-Cap Growth Portfolio.** Journey's joint venture with Spartan Delta, which is also in our Small-Cap Growth Portfolio, is key to my valuation of this stock.

Journey reported solid 2023 results ($0.26Cdn Net Income per share & $0.90 Adjusted Operating Cash Flow per share) with year-over-year production growth of 27%. Q1 2024 results ($0.05 EPS and $0.26 Adj CFPS) with 11,906 Boepd of production were good, despite weather related operational issues that impacted production in January. Q2 2024 results came in below my forecast, due to higher operating expenses that reduced production by approximately 500 boe/day due to second quarter turnarounds, road bans, and a royalty divestment. "Turnarounds" are significant maintenance to processing facilities.

In Q3 2024 operating expenses came back down. Journey reported positive net income and Adjusted Operating Cash Flow increased by 35% to $11.1Cdn million ($0.17Cdn per share). I'm expecting production to be down slightly in Q4.

On January 6, 2025 Journey announced outstanding well results in the Duvernay Light Oil Joint Venture with **Spartan Delta (SDE.TO)**, which was announced on May 7th. **See press release on page 2**



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My Fair Value Estimate for JRNGF is $3.25US/share

Compares to First Call's Price Target of $4.65Cdn for JOY.TO

Disclosure: I have a long position in JRNGF and I do not intend on buying or selling it in the next 72 hours. I wrote this profile myself, and it expresses my own opinions. I am not receiving compensation for it from the company. I have no business relationship with any company whose stock is mentioned in this article.

Journey Energy Inc. is a Canadian exploration and production company focused on conventional, oil-weighted operations in Alberta, Canada. Journey's strategy is to grow its production base by drilling on its existing core lands, implementing secondary and tertiary flood projects on its existing lands, and by executing on accretive acquisitions. In conjunction with its joint venture partner **Spartan Delta (SDE.TO)**, the Company has recently begun development of its Duvernay light oil resource play. In addition, Journey is continuing with its plans to grow its power generation business through its projects at Gilby and Mazeppa.

January 6, 2025 Press Release
Journey Energy Inc. (TSX: JOY) (OTCQX: JRNGF) ("Journey" or the "Company") is pleased to provide an update on its Duvernay Joint Venture (the "Joint Venture") operations, including the excellent initial test rates achieved by the first two wells.

Duvernay Joint Venture Operational Update

On May 7, 2024 Journey announced its participation in a 128 section, Joint Venture in the Duvernay. Journey's current working interest in the Joint Venture is 31.38%. The partners currently control 104 sections.

Two Joint Venture wells have been drilled to date from the 05-18-042-03W5 surface location. The 03-26-042-04W5 well has a stimulated lateral length of 3,511 meters and was completed with 71 stages involving 6,395 tonnes of sand. The 09-05-042-03W5 well has a stimulated lateral length of 3,650 meters and was completed with 74 stages involving 6,582 tonnes of sand. Both wells were tied into the Journey operated gas processing facility at 01-04-042-03W5 and began flowing through testers on November 25, 2024. Individual well drilling and completion costs (excluding testing and surface facility costs) are projected to be well below the originally estimated costs.

The production rates shown in the table below continue to significantly exceed internal type curve expectations which were originally based upon the initial wells drilled and completed in 2019 by another operator. Both wells continue to be restricted.

	09-05-042-03W5/00	03-26-042-03W5/00
Total to Date:		
Flowing Time (days)[1]	30	30
Oil (bbls/d)	865	1,019
Oil Gravity (ºAPI)	48	48
Natural gas (mcf/d)	800	700
Natural gas liquids (bbls/d)	31	28
Barrels of oil equivalent (boe/d)	1,029	1,166
Per cent oil and NGL's	87%	90%

(1) Production volumes in the table are based on Field Notes from Testers. These volumes represent the highest 30-day average rates achieved since November 25, 2024. Final reported volumes may differ from test volumes.

Although these represent preliminary results, and comparisons with the original wells on the Joint Venture will be more representative in late January after 60 producing days, **current oil flow rates are materially better than the flow rates of the original wells drilled in 2018 and 2019**. This result has prompted an increase in Journey's type curve expectations for Duvernay wells with a stimulated lateral length of 3,600 meters. The new type curve features a small increase in recoverable reserves, but a more substantial increase in initial productivity rates. Because of this, Management expects this to result in a corresponding increase in the rate of return, and a decrease in the payout period from the on-production date. Shareholders are directed to Journey's December corporate presentation for updated type curves.

Journey's share of expenditures for the first two wells were primarily funded through the closing of the financing on March 20, 2024. Initial gross capital expenditures for the Joint Venture are capped at gross amounts of $30 million for 2024 and $100 million for 2025. The cap on expenditures can be increased by mutual agreement of both parties. The first two wells are strategically located to satisfy drilling commitments for the retention of freehold lands. The position of the wells is expected to allow for the booking of approximately 40 gross (12 net) additional proved plus probable offset locations in Journey's 2024 year-end reserve report.

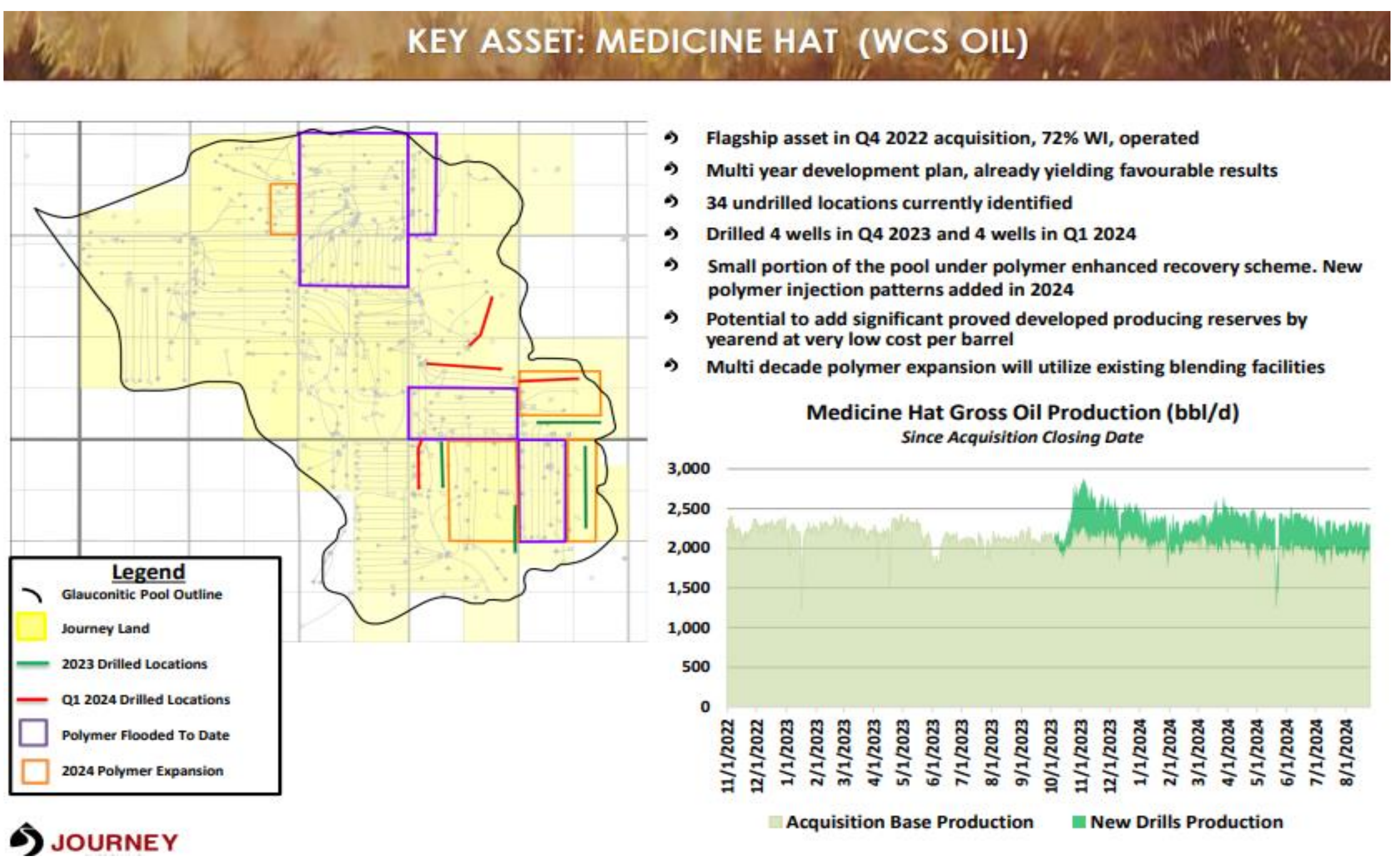
Management believes that **Spartan Delta (SDE.TO)** is a quality Joint Venture partner to help benefit from the economies of scale while minimizing the risk of single events on the Company's business plan. Journey's working interest position in the Joint Venture is enough to support 60 net 2.5 mile wells on azimuth locations.

Future Update and Further Information

Journey's preliminary plans for the Joint Venture in 2025 are to participate in 6-8 wells (1.8-2.4 net). The majority of these locations will be drilled from three well pads in order to maximize operational efficiencies and minimize well costs. Journey plans to provide additional production data, full year capital, production, and adjusted funds flow guidance, and its funding plans toward the end of January 2025 as capital phasing and on-stream dates are currently being refined by the partners.

Journey management views 2025 as a pivotal year for the Company as the groundwork laid in previous years begins to materialize. Journey's management remains focused on long-term value creation for all stakeholders and are available to address shareholder inquiries upon request.

Core Areas of Operation Along a Prolific Resource Fairway
Journey’s operating expertise lies in pursuing growth through drilling on existing core lands in Alberta, implementing water flood projects, completing accretive acquisitions, and growing their overall production and reserves base. The Company seeks to optimize legacy oil pools by applying best practices for horizontal drilling techniques and, where applicable, using waterfloods to enhance production volumes and reserves recovery. *< Polymer flood underway.*



Journey Energy

Journey Energy's 2023 Highlights ($Cdn)

- Generated net income of $15.8 million for 2023. On a basic, weighted average per share basis, this amounted to $0.26 and $0.24 per diluted share.
- Realized Adjusted Funds Flow of $66.1 million for the year. On a basic, weighted average per share basis, this amounted to $1.10 and $1.00 per diluted share.
- Achieved sales volumes of 12,595 boe/d in the fourth quarter of 2023 and 12,415 boe/d for the entire year. Liquids volumes (crude oil and natural gas liquids) accounted for 6,912 boe/d or 55% of total volumes during the 4th quarter and 6,765 boe/d or 54% for the entire year.
- On March 18, 2023 Journey closed a bought-deal flow-through share financing to issue 3.04 million flow-through shares at a price of $6.62/share resulting in gross proceeds of $20.1 million.
- Proved developed producing and proved plus probable developed producing reserve life index of 8.4 and 10.8 years respectively, are testaments to Journey's low decline asset base, and the year-over-year increase in reserve life index demonstrates Journey's ability to grow base production base while simultaneously reducing corporate decline rate.
- Achieved attractive F&D and Finding, Development & Abandonment ("FD&A") recycle ratios of 2.4 and 2.5 respectively for proven reserves, and 8.9 and 8.5 respectively for proven plus probable reserves.
- The Company continued to advance the emerging power generation business:
  - Generated 24,723 MWH of electricity in 2023 at an average price of $155.69/MWH.
  - Started construction of the 15.1 MW power generation facility in Gilby Alberta, which is currently forecast to be on stream by the fourth quarter of 2024.
  - Purchased a 16.5 MW power generation facility, the land it sits upon and the gas supply pipeline.
  - Continued work on decommissioning non-producing sites. Journey spent $1.2 million in the fourth quarter and $4.9 million for the entire year on power generation assets.

Debt Restructuring Improves Journey's Financial Flexibility

- On March 6, 2024, Journey announced a $38 million convertible debenture bought-deal financing. The debentures have a coupon rate of 10.25% interest and are convertible into Journey shares at the option of the holder at the exercise price of $5.00/share. In addition to providing greater financial flexibility for the Company, proceeds from this debenture will be utilized to:
  - Ramp up expenditures to complete the Gilby power facility in October 2024;
  - Provide for a minor expansion to 2024 capital, including a second Medicine Hat drilling program;
  - Provide funds to drill two Duvernay wells.

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Third Quarter 2024 Highlights

- Generated sales volumes of 11,152 boe/d in the third quarter (47% crude oil; 9% NGL's; 44% natural gas).
- Realized Adjusted Funds Flow of $13.6 million or $0.22 per basic share and $0.20 per diluted share.
- Continued with the construction of the Gilby power generation asset. Completion of this project is currently scheduled for the first quarter of 2025, subject to third party approvals.
- Reduced Net Debt to $52.7 million, representing a 15% decrease from year-end 2023. $38 million of net debt is in the form of a Convertible Debenture (March 20, 2024) and is not due until March 2029.

Recent Developments

- Negotiated an amendment to the AIMCo term debt agreement on October 10 to defer and amortize the balloon payment of $11.1 million previously due on October 31. Monthly payments will be extended to August 31, 2025 from April 30, 2025.
- Closed a divestment of Central Alberta assets to a private company for nominal value On October 1. Production from this minor divestment was 130 boe/d (35% liquids). The divested assets, along with Journey's ongoing asset retirement program is forecast to reduce Journey's end-of-life-costs by over $20 million. The divestment is neutral to PDP value and adjusted funds flow.
- Two wells have been drilled and completed to date from a 05-18-042-03W5 pad as part of the Joint Venture (JV) with Spartan Delta Corp. ("Spartan Delta") in the Duvernay in the west shale basin. 03-26-042-04W5 was drilled to a lateral length of 3560 meters and 09-05-042-03W5 was drilled to a lateral length of 3,720 meters. The partners currently control 104 sections within the JV block. Journey's current working interest within the block is 31.38%. The initial production data reported on the Spartan Delta wells with shorter lateral lengths released on November 5, 2024 bodes well for the future development of this world class resource.

Journey's Power Business should generate significant free cash flow after 2024

Operations Update

During the third quarter of 2024 Journey continued to move forward on all of its initiatives with a view to increasing free cash flow beginning in 2025 and with a long-term strategy of increasing its proved, developed, producing value and adjusted funds flow on a per share basis.

On March 20, 2024 Journey issued $38 million in convertible debentures to term-out a portion of its debt obligations, and to also increase its 2024 capital program. On May 7, 2024 Journey entered into the joint venture agreement with Spartan Delta to jointly develop lands concentrated in the liquids rich portion of the Duvernay in the West Shale Basin. Journey is using a portion of the proceeds from the convertible debenture issuance to fund its working interest participation in the initial two Duvernay wells. The Duvernay wells are expected to come on-stream in late 2024 and have a positive impact on 2024 exit rates. Journey's working interest in the initial wells is 31.38%.

Total capital spending for the third quarter of 2024 was $10.6 million. These costs included continuing development of the power projects; facility upgrades in Cherhill; polymer and waterflood optimization in Medicine Hat; a portion of drilling expenditures for the first two Duvernay wells; and decommissioning expenditures. Capital expenditures are expected to increase to $16.5 million in the fourth quarter, with increased capital for the Duvernay wells and ongoing expenditures for the power business.

In the third quarter of 2024, Journey had sales volumes of 11,152 boe/d (56% oil and liquids). Volumes were negatively impacted (approximately 300 boe/d) by third-party shut-in volumes at the Stolberg property. No additional wells, outside of the two Duvernay wells (0.63 net) are planned for the fourth quarter of 2024.

At the beginning of August, Journey was notified by a third-party operator that they were shutting in Journey volumes in Stolberg, which had been going to a third-party processing facility due to a dispute on processing fees and compounded by low natural gas prices.

The majority of Journey's Stolberg production volumes are impacted by this closure due to a lack of takeaway capacity in that area for solution gas. These volumes were curtailed in late July, 2024 and are expected to reduce sales volumes by approximately 300 boe/d for the duration of the curtailment. Journey is currently pursuing redirection options for the solution gas.

In October, Journey closed the divestment of certain Central Alberta assets to a private company for nominal consideration. Production from this minor divestment was 130 boe/d (35% liquids). The divestment is neutral to Journey's proved, developed, producing value and Adjusted Funds Flow. The assets contained 153 gross wells, the majority of which were shut-in or abandoned. The assets had approximately $14 million of end-of-life costs associated with it. The divested assets, along with Journey's ongoing asset retirement program is forecast to reduce Journey's end-of-life-costs by over $20 million in 2024.

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Proved Reserves as of December 31, 2023

Company Gross (WI) Reserves[1] / Value (January 1, 2024 3 Consultants Pricing)							
Reserve Category	**Oil** (Mbbl)	**Gas** (Bcf)	**NGLs** (Mbbl)	**Mboe**	**RLI**	**NPV10 ($million) Before Tax [1]**	**FDC ($ million)[2]**
Proved Developed Producing	17,192	96	3,835	36,974	8.4	361.9	23.9
Total Proved	23,940	125	5,198	49,975	11	504.1	142.3
Proved + Probable Producing	22,168	129	4,999	48,643	10.8	450.5	24.4
Total Proved + Probable	36,701	204	9,724	80,377	17.1	772.2	274.8

"Journey's Enterprise Value on April 1, 2024 was $258Cdn million, which compares to the PV10 Present Value of its 2P reserves on December 31, 2023 of $772.2Cdn million. Note that the reserve report does not include the significant 2P potential of the Duvernay Joint Venture announced on May 7th." - Dan Steffens

STEPS TAKEN IN 2023 AND 2024 POSITION JOURNEY FOR 2025+

- **Driving down debt by $50 million (Q4 2022 – Q3 2024)**
- **Issued $38 million in convertible debentures (March 2024) to term out 72% of 2024 YE debt to March 2029**
- **Hedged one third of 2025 natural gas production at $3.20/mcf**
- **Restructured AIMCO term debt payments spreading out payments till August 2025**
- **Asset sales and end of life expenditures reducing ARO by $20 million in 2024**
- **Journey's power business is transitioning from a capital expense to a sustainable revenue stream**
- **Began developing our asset in the Duvernay at Gilby**

Duvernay Shale Joint Venture will have the most impact on future results

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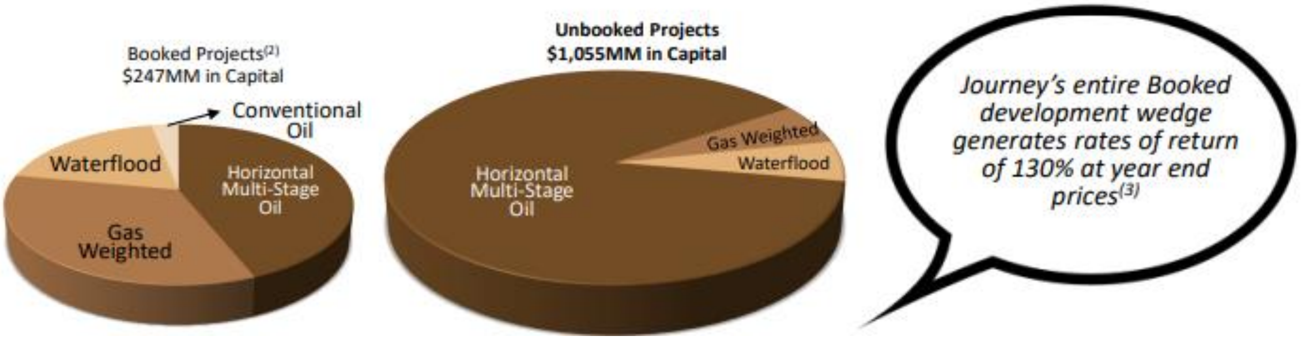
Running Room

UNBOOKED DUVERNAY PROVIDES GROWTH FOR YEARS TO COME

Journey has identified 509 (314 net) horizontal drilling opportunities

	Drilling Locations[1]		
	Total[1]		% Booked[2] in Reserve Report
Region	Gross	Net	
South	159	134	39%
Central	150	120	39%
Duvernay	200	60	0%
Total	509	314	32%



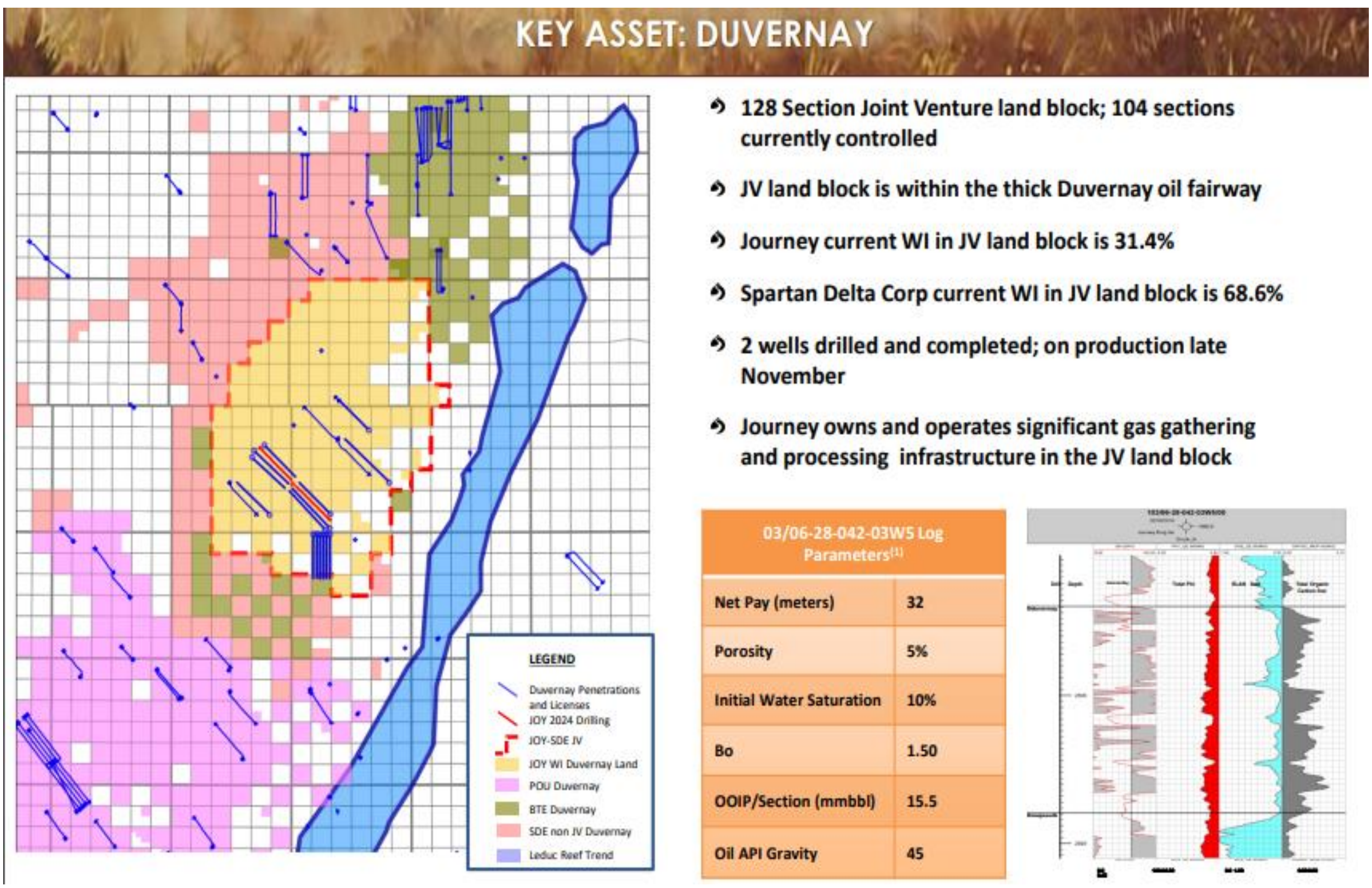
Duvernay JV Update

On May 7, 2024 Journey announced its participation with Spartan Delta in a 128-section joint venture in the Duvernay west shale basin. Journey's current working interest within the block is 31.38%. The partners currently control 104 sections within the block.

Two wells have been drilled to date from a 05-18-042-03W5 pad as part of the Joint Venture (JV) with Spartan Delta Corp. ("**Spartan Delta**") in the Duvernay in the west shale basin. 03-26-042-04W5 was drilled to a lateral length of 3560 meters and 09-05-042-03W5 was drilled to a lateral length of 3,720 meters. Completion operations have begun and both wells should be completed prior to the end of November. Journey's share of expenditures for the first two wells will be primarily funded through the convertible debenture financing, which closed in March. Initial gross capital expenditures for the joint venture are capped at gross amounts of $30 million for 2024 and $100 million for 2025. The cap on expenditures can be increased upon mutual agreement of both parties. The 2024 capital program is sufficient to drill, complete, equip and tie-in two wells from a single pad. The two wells are strategically located to satisfy drilling commitments for the retention of freehold lands and their positioning will allow for the booking of at least 30 additional offset locations at year end. Recent negotiations on freehold lands within the joint venture block allow for the retention of a significant portion of lands for up to 11 years under certain circumstances, providing both a runway and land tenure to economically develop this world class resource.

The initial production data on Spartan Delta wells north of the joint venture block, press released on November 5, 2024, significantly exceeds the current type curves for wells on the joint venture block on a length adjusted basis. Journey believes the results of these wells are a good indicator of the productive capability of the resource contained within the joint venture lands.

With the revised term-out of the majority of its debt until 2029, and with future revenues from its power business, Journey is in a solid position to fund its working interest portion of this development. Journey believes it has found a quality partner in Spartan Delta to help benefit from the economies of scale while minimizing the risk of single events on the Company's business plan. Journey's plan is to maintain its net acreage position with a smaller working interest in a larger land block. This strategy will maximize the net number of azimuth locations in the liquids window. Journey's working interest position in the joint lands is enough to support 60 net 2.5 mile wells on azimuth locations.



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What Energy Sector Analysts are saying about the Duvernay Light Oil Joint Venture

Garett Ursu, CFA at Cormark Securities dated May 9, 2024

Duvernay JV Launches Journey "Into the Mix"; Future Upside Underappreciated
Event: Late on May 7, Journey announced a Duvernay Joint Venture with Spartan Delta.

Impact: Very Positive

Late Tuesday Journey Energy announced an agreement with Spartan Delta (SDE) to jointly develop a block of land in the west Duvernay shale basin. The announced joint venture ("JV") covers a total of 128 sections, in which **Spartan Delta and Journey currently hold 94 sections** with the remainder either open Crown, Crown lands held by other parties or freehold acreage. *< Alex Verge told us during the June 11 webinar that the JV has already added six more sections.*

Initial company working interests will be 62.5% Spartan and 37.5% Journey, though Spartan has the potential to increase its interest to 70.0% with the contribution of additional lands at its cost. The JV will be operated by Spartan Delta and while capital spending is currently capped at $30 MM this year and $100 MM next year, spending can be increased on the agreement of both Management teams.

While most of the JV lands carry tenure beyond six years, given three historical wells drilled and tested in the oil and liquids fairway (Journey 29.17% WI and Spartan 70.83% WI), we expect the JV to be very active in 2H/24 and likely hit the spending cap relatively quickly. In this, Spartan Delta announced plans to drill one Duvernay horizontal, complete one DUC and drill a stratigraphic well this year with the potential to add two horizontal wells to the program before year-end. We expect the two wells to be drilled, with both wells on JV lands.

Absent Journey guidance, and utilizing Spartan well assumptions including IP-30 rates of 600-1,200 BOE/d (70% liquids or 50-350 B/MMcf CGRs) and EURs of 500-1,000 MBOE on well costs of $11.5-13.5 MM (D,C,E,T), we have adjusted our 2024 forecasts for Journey to incorporate a reinvigorated Duvernay business within the company.

While very preliminary, we currently expect Journey to participate in two gross Duvernay wells this year, seven wells in 2025 and potentially 7-9 wells in 2026, at which time the Duvernay should be "self-funding". Recall that Journey recently raised a $38 MM convertible debenture to retire AIMCO and Enerplus debt and provide financial flexibility to pursue just this type of growth spending while still developing its power gen business and maintaining core volumes.

Investment Conclusion:
With Duvernay oil & liquids activity to boost volumes, liquids cuts and profitability, Journey has immediately become an attractive resource growth name. **We reiterate our Buy rating on the company and have increased our target from $6.00 to $6.50Cdn (3.9x 2025E EV/EBITDA) with a new Duvernay growth wedge in our forecasts.**

Adam Gill at Echlon Capital (highly respected energy sector analyst) on May 10:

Journey Energy

Duvernay JV & Potential Value:

As noted in our May 8 report, Journey has entered into an agreement with **Spartan Delta (SDE)** regarding the development of joint Duvernay lands. The JV covers 128 sections of area in the oil window with 94 sections of Duvernay lands currently held within the JV block. SDE will have a 62.5% WI while JOY will have a 37.5% WI and capital spending on the JV lands has been capped at $30M for 2024 and $100M in 2025 (gross) with two wells expected to be drilled in the later part of this year. With regards to the potential value of the Duvernay opportunity, **we have taken a look at value both from a development potential and on land value**. For development, Journey sees 55-75 net locations under the JV. Based on a $12M well cost and 570 MBoe EUR (420 MBbls of oil), we see an NPV per well of ~$8.5M at US$75/Bbl WTI. With that, at 55-75 net locations for Journey, we see a potential NPV of ~$275-335M ($4.48-5.46/shr basic, $3.72-4.53/shr f.d.) for full development potential. *< This is what I call "High Value Running Room"; especially for a company of this size.*

The Journey / Spartan Delta joint venture lands within the core of the Duvernay Shale play contain 60 net horizontal development well locations.

Single Well Economics[2]		
DCET[1] Capex ($,000)	13,000	11,000
Reserves (MBOE)	573	573
Oil Reserves (MBBL)	400	400
% Oil and NGLs	74%	74%
IP30 (BOE/day)	722	722
IP365 (BOE/day)	420	420
F&D ($/BOE)	22.70	19.20
NPV[3]@ 10% BT ($,000)	7,600	9,600
IRR[3] (%)	35	52
Payout[3] (Years)	2.3	1.7

On land value potential, Journey's 37.5% WI in the 94 sections of land equates to 35.25 net sections for Journey. On March 20, there was a substantial land sale that highlights the industry's reinvigorated interest in the play and in total there were four packages covering 57.5 sections of offsetting Duvernay rights that were sold for a total of $46.8M (all to brokers).

The average price was ~$0.8M/section and two of the packages were going for ~$1.0M/section. **These lands in this robust land sale directly offset Journey's acreage** and on the average price per section, we see $28.7M/$0.47/shr ($0.39/shr f.d.), and at the higher end of the land value range, it would be $38.7M/$0.60/shr ($0.50/shr f.d.) of value. **Adam's price target for JOY is $6.00Cdn per share.**

Journey Energy

Financial Update

Generationally low natural gas prices, due to an oversupply of Canadian gas, continued in the third quarter with Journey achieving a realized price of $0.51/mcf. Crude oil and NGL revenues continued to account for a significant proportion of commodity revenues, rising to 97% for the third quarter. Natural gas prices declined by 79%, crude oil prices declined 10% and NGL prices saw a 2% increase in the third quarter of 2024 as compared to the third quarter of 2023. Across all commodities there was an overall decline in realized commodity prices of 7% in the third quarter compared to the second quarter of 2024.

Operating costs were lower by 14% in the third quarter compared to the second quarter of 2024 and this was mainly attributable to lower power prices and much lower expenditures on workovers and turnarounds. During the third quarter Journey spent $2.1 million on workovers and turnarounds as compared to $5.2 million in the second quarter. Also assisting in lowering the comparative quarter cost structure were within the royalty, administrative and finance categories. Royalties were $2.3 million lower in the third quarter and this was mainly attributable to both lower prices and volumes sold. Administrative costs were $3.4 million for the third quarter as compared to $4.6 million in the second quarter. The second quarter administrative costs included annual compensation costs related to 2023 and were non-recurring throughout the rest of 2024. Borrowing costs of $1.9 million in the third quarter were consistent with the $1.8 million in the second quarter. Journey continued to pay down its AIMCo term debt in monthly principal instalments of $1.0 million during the third quarter. On October 10, 2024 Journey entered into an amendment of its term debt facility with AIMCo wherein the $11.1 million balloon payment that was due on October 31 was deferred and amortized on a monthly basis until August 31, 2025. This restructuring was intended to provide Journey with additional flexibility in its participation in the Duvernay joint venture development with Spartan Delta Corp.

Despite lower natural gas prices and the resulting lower sales volumes from shutting-in uneconomic, natural gas production, Journey offset this with various operating cost efficiencies and thereby recorded higher Adjusted Funds Flow than the previous quarter. The Company realized $13.6 million in Adjusted Funds Flow in the third quarter as compared to $9.5 million in the second quarter of 2024. For the third quarter, Adjusted Funds Flow per share was $0.22 on a basic weighted average basis and $0.20 on a diluted basis.

Journey realized net income of $0.6 million in the third quarter of 2024 or $0.01 basic and diluted per share for the third quarter. This brings the year-to-date net income to $1.5 million or $0.02 per basic and diluted share. Cash flow from operations was $6.2 million in the third quarter of 2024 ($0.11 per basic share and $0.10 per diluted share).

Journey spent $8.1 million in capital (net of dispositions) during the third quarter and underspent its Adjusted Funds Flows of $13.6 million. As a result, Journey's net debt decreased from $55.5 million at June 30, 2024 to $52.7 million at September 30, 2024.

Journey's 2024 Guidance as of November 8, 2024 < Oil differentials have improved since Q1 2024

Journey is maintaining its 2024 guidance of 11,200-11,500 boe/d. However, due to lower realized natural gas and crude oil prices, Adjusted Funds Flow guidance has been lowered. Natural gas pricing has now been reduced to $1.45/mcf for 2024 and average WTI price has been lowered from $79 to $76 resulting in an approximate $6 million reduction in forecasted Adjusted Funds Flow.

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	Operating Highlights	2021 Actual	2022 Actual	2023 Actual	2024 Forecast
Production	Average (boe/d)	8,004	9,778	12,415	11,200 – 11,400
	Oil and NGLs (%)	47%	49%	54%	56%
	Corporate Decline Rate (%)	14%	14%	13%	13%
Reference Prices	Natural Gas AECO ($/mcf)	$3.64	$5.43	$2.65	$1.45
	Oil WTI ($US/bbl)	$67.91	$94.23	$77.63	$76.00
	F/X ($CAD/$USD)	0.80	0.77	0.74	0.73
Operating Results	Revenue (Before Hedging) ($/boe)	$42.39	$66.00	$49.54	$48.00
	Netback (Before Hedging) ($/boe)	$18.89	$33.50	$17.98	$17.00
Capital (ex EOL)	Including A&D ($millions)	$11.0	$181	$40.9	$41
Wells Drilled	Gross/Net	–	13/10.6	12/10.3	6/3.5
Financial	Realized Hedging gain (loss) ($millions)	–	$6.4	$1.0	-
	Adjusted Funds Flow ($millions)	$46.3	$101.4	$66.1	$53 – 55
	Period End Net Debt ($millions)	$57.0	$98.8	$61.7	$52 – 54
	Weighted Average Basic Shares (millions)	45.4	52.7	60.3	62.4
	Adjusted Funds Flow/Share ($/Share)	$1.10	$1.93	$1.10	$0.86 – 0.88

Journey Energy

Energy Prospectus Group
A Division of DMS Publishing, LLC

Company Profile

Net Income and Cash

January 14, 2025

Journey Energy (JOY.TO and JRNGF)
Net Income and Cash Flow 2022 - 2026 (updated 1/14/2025)
($Thousands in Canadian Dollars)

	Actual 2022	Actual 2023	Actual Qtr1 2024	Actual Qtr2 2024	Actual Qtr3 2024	Forecast Qtr4 2024	Forecast Year 2024	Forecast 2025	Forecast 2026	
			Canadian Dollars							
REVENUES:										
Oil and natural gas sales	$235,583	$225,149	$52,098	$50,525	$47,046	$44,629	$194,298	$219,920	$242,232	
Processing and other income (incl electricity sales	11,368	8,749	1,985	1,682	1,544	2,000	7,211	10,000	10,000	
Royalties	(46,976)	(46,980)	(10,164)	(10,274)	(7,991)	(8,033)	(36,462)	(41,785)	(46,024)	< 19%
	199,975	186,918	43,919	41,933	40,599	38,596	165,047	188,135	206,208	
EXPENSES:										
Operating expense	78,684	98,383	21,487	25,437	21,431	21,252	89,607	91,980	99,645	< $21.00 / boe
DD&A	28,898	38,461	9,795	9,470	9,782	9,614	38,661	41,610	45,078	< $9.50 / boe
Finance -cash	14,286	15,045	1,266	1,793	1,742	1,750	6,551	7,000	7,000	
Non-cash financing costs	525	495	1,625	1,791	1,800	1,800	7,016	6,500	6,500	
G&A	8,854	8,470	2,072	3,693	2,691	2,700	11,156	12,500	12,500	< Q2 includes annual bonuses
Share based compensation	2,086	2,650	871	872	695	700	3,138	3,600	3,600	
Transportation	2,485	5,121	1,074	1,503	1,183	1,012	4,772	4,380	4,745	< $1.00 / boe
Exploration and evaluation	1,946	495	351	0	255	100	706	1,000	1,000	
Asset impairment	21	532	79	0	0	0	79	0	0	< non-cash
Loss (gain) on debt modification	(281)	708	0	0	0	0	0	0	0	
Tranaction costs	1,489	24	189	0	0	0	189	0	0	
(Gain) loss on dispositions	0	(3,421)	0	0	0	0	0	0	0	
TOTAL EXPENSES	138,993	166,963	38,809	44,559	39,579	38,928	161,875	168,570	180,068	
OPERATING EARNING	60,982	19,955	5,110	(2,626)	1,020	(332)	3,172	51,350	62,165	
INCOME TAXES										
Current	0	0	0	0	0	0	0	0	0	< Tax pools cover all cash taxes through 2025
Deferred	(94,216)	4,136	1,562	(298)	422	(83)	1,603	15,405	18,649	<30%
NET INCOME to common stockholders	$155,198	$15,819	$3,548	($2,328)	$598	($249)	$1,569	$35,945	$43,515	
Common Stock	**62,882**	**66,350**	**66,350**	**66,350**	**66,350**	**66,350**	**66,350**	**67,000**	**68,000**	< 2024 is shares outstanding on 9-30-2024 + warrants
Earnings per share	$2.47	$0.24	$0.05	($0.04)	$0.01	($0.00)	$0.02	$0.54	$0.64	< EPS
NOTE: Current First Call Estimated EPS			$0.05	($0.04)	$0.01	$0.04	$0.06	$0.12	$0.12	< First Call's EPS Forecasts
Cash Flow >>>>>>	$96,102	$59,621	$17,359	$8,205	$11,080	$10,882	$47,526	$99,060	$111,342	< 2024 CapEx budget $48 million
Cashflow per share (before CapEx)	$ 1.53	$0.90	$0.26	$0.12	$0.17	$0.16	$0.72	$1.48	$1.64	**Target Price 3.5 X 2024 thru 2026 CFPS = $4.65**
										TipRanks' CFPS *JRNGF Price target in U.S. $* **$3.25** **< At 70% conversion**
PRODUCTION										*YE 2025 Prod. Mix* *First Call's Price Target* **$4.00** **< Cdn**
Natural Gas (mcfp/d)	29,785	33,899	31,277	30,522	29,175	29,370	30,086	31,680	34,320	*44.0%*
Oil (bbls/d)	3,826	5,491	5,485	5,119	5,246	5,115	5,241	5,640	6,110	*47.0%*
NGLs (bbls/d)	988	1,274	1,208	1,029	1,048	990	1,069	1,080	1,170	*9.0%*
Boepd	9,778	12,415	11,906	11,235	11,157	11,000	11,324	12,000	13,000	*< 2024 production guidance is 11,200 to 11,400 Boepd (Nov 7)*
YOY growth		**27.0%**					**-8.8%**	**6.0%**	**8.3%**	**< Year-over-year production growth**
				Canadian Dollars						
PRODUCT PRICES										
Natural Gas ($/mcf)	5.97	2.70	2.37	0.97	0.51	1.00	1.21	2.25	2.50	
Oil ($/bbl)	105.50	85.21	80.53	93.38	85.45	80.00	84.84	85.00	85.00	
NGLs ($/bbl)	64.69	45.16	46.83	46.12	46.10	47.00	46.51	48.00	50.00	
Gross Revenue check (prod * ave price)	235,583	225,149	52,098	50,525	47,046	44,629	194,298	219,920	242,232	