



BISON INTERESTS

November 15th, 2024

Craig Hansen
Chairman of the Board

Journey Energy Inc.
Suite 700, Centre 10
517 10th Avenue SW
Calgary, AB T2R 0A8

Dear Mr. Hansen,

Through Bison Interests, I own or control approximately 5% of Journey Energy Inc.'s common stock. Over the past two years, Journey's share price has declined by 64%, underperforming relevant industry benchmarks by over 55%.ⁱ I believe the following factors are driving Journey's share price underperformance:

- **Journey has missed production guidance in nine of its ten years as a public companyⁱⁱ**
- **26% decline in production per share since capital was last returned to shareholders in 2018ⁱⁱⁱ**
- **Operating expenses have increased ~50% since pre-COVID^{iv}, and Journey currently operates with margins \$20/boe below peers^v**
- **New power generation assets are over a year delayed and 58% over budget^{vi}**
- **182% increase in average interest rate paid on debt since 2015^{vii}**
- **Repeat dilutive debt issuances that have diminished shareholder value^{viii}**
- **Journey's recent convertible debenture had a high interest rate vs. peers^{ix} and a conversion price 26% below management's intrinsic value estimate^x**
- **No capital returned to shareholders through dividends or buybacks since 2018^{xi}**
- **Yet, key management personnel remain unchanged^{xii}, with management salaries & director fees up 95% year-over-year for the six months ended June 30th, 2024^{xiii}**

It is crucial that the company imminently improves these metrics to unlock embedded value for stakeholders.^{xiv} I have prepared a presentation further outlining these opportunities and challenges – let me know when you are available to review it with me.



Sincerely,

Josh Young

Bison Interests CIO

ⁱ Stock returns for period Oct. 2022 – Oct. 2024: XEG 11%, PSCE -8%, XOP -9%, JOY -64%.

ⁱⁱ Based on information from Journey's MD&A statements and press releases.

ⁱⁱⁱ Production/Fully Diluted Share was .222 in Q2 2018 and .164 in Q2 2024.

^{iv} Operating expenses averaged \$13.36/BOE for period 2015-2019, rising to \$20.64/BOE in the first two quarters of 2024.

^v Companies in Journey's Proxy Peer Set with an oil weighting of at least 25% (compared to Journey's 45%) have averaged \$32/BOE in adjusted funds flow in 2024, while Journey has averaged \$13.

^{vi} Management initially forecasted Gilby and Mazeppa to be online by late 2023, with \$12M budgeted for Gilby (2022 Q3 MD&A) and minimal CapEx for Mazeppa (Alex Verge, Virtual Investor Conference 2023). Gilby is now expected by Mar-25 and Mazeppa by Jun-26 (AESO Long Term Adequacy Report).

^{vii} Average interest rate paid on debt was 3.9% in 2015 and 11% in 2024, per company MD&A statements.

^{viii} Management has repeatedly raised debt with attached equity warrants: in 2016, 2018, 2019, 2020, and a convertible debt issuance in 2024 – all at low stock prices vs the IPO price, PDP PV-10, and peer valuations

^{ix} Peer 2024 debt issuance rates: BTE 7.5%, VTLE 7.875%, SGY 8.5%, SOIL 9.625%, RBY 11.5%. Journey's effective interest rate, including the convertible value, was 14.79%.

^x \$5.00 in YE 2023 PDP value (adjusted for Q2 2024 Net Debt), plus \$1.26 for 2023 YE Power Gen PV and \$0.55 for Duvernay Land Value based on management's comparable land transaction values.

^{xi} Journey's last share buyback was Q1 2018, and the last dividend was in Q4 2015.

^{xii} Every member of Journey's current sr. management (except for VP of Business Development Ryan Yates, who joined in 2017) has been with the company since its mid-2014 IPO.

^{xiii} Management salaries & director fees were \$1.442 million for first two quarters of 2023 vs. \$2.807 million for same period 2024.

^{xiv} At year-end 2023, Journey's assets included a PDP PV-10 of \$362M, Power Generation PV-10 of \$77M, and \$34M in unbooked Duvernay land. After adjusting for \$55M in Q2 2024 net debt, the net asset value is \$418M. As of November 12, 2024, Journey's enterprise value was \$180M.