



NEWS RELEASE

AUGUST 1, 2018

## TOURMALINE DELIVERS STRONG Q2 FREE CASH FLOW, INCREASES 2018 EXIT PRODUCTION ESTIMATE AND INCREASES QUARTERLY DIVIDEND

**Calgary, Alberta** - Tourmaline Oil Corp. (TSX:TOU) ("Tourmaline" or the "Company") is pleased to release financial and operating results for the second quarter of 2018.

### HIGHLIGHTS

- Six month 2018 cash flow<sup>(1)</sup> of \$624.5 million on EP capital spending of \$464.3 million.
- Net debt<sup>(2)</sup> reduced by \$85.0 million in Q2 2018 from Q1 2018 (5% reduction). Tourmaline has reduced net debt by \$198.6 million in the first six months of 2018.
- Quarterly dividend will be increased by 11% to \$0.10/common share for the third quarter of 2018.
- 1H 2018 production of 264,707 boepd, an increase of 13% over 1H 2017.
- 2018 exit production range increased to 290,000-297,500 boepd.
- Q2 2018 operating costs of \$3.18/boe, down 5% from Q1 2018.
- After-tax earnings of \$25.6 million on an average realized gas price of \$2.25/mcf, an 89% premium over the average Q2 2018 AECO index price.

### FINANCIAL RESULTS

- Six month free cash flow<sup>(3)</sup> of \$216.9 million, and \$170.7 million after dividend payments of \$46.2 million.
- Despite the lower than forecast production in May and June and weaker natural gas prices, Q2 cash flow was \$272.3 million (\$1.00/diluted share) and anticipated full-year 2018 cash flow is unchanged at \$1.34 billion.
- The 2018 full-year E&P capital budget (net of dispositions) remains unchanged at \$1.08 billion.

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(1) "Cash flow" is defined as cash provided by operations before changes in non-cash operating working capital. See "Non-GAAP Financial Measures" in the Company's Q2 2018 Management's Discussion and Analysis.

(2) "Net debt" is defined as bank debt plus working capital (adjusted for the fair value of financial instruments). See "Non-GAAP Financial Measures" in the Company's Q2 2018 Management's Discussion and Analysis.

(3) "Free cash flow" is defined as cash flow less Total Net Capital Expenditures. Total Net Capital Expenditures is defined as total capital spending before acquisitions and non-core dispositions. Free cash flow is prior to dividend payments. See "Non-GAAP Financial Measures".

- The Company generated significant free cash flow in Q2 2018, and similar to Q1 2018, continued to reduce net debt by \$85.0 million after dividend payments in the quarter. Net debt has been reduced by \$198.6 million to \$1.54 billion through the first six months of 2018.
- Anticipated improving winter oil and natural gas prices provide upside beyond guidance for Q4 2018/Q1 2019 cash flow.
- Given the strong free cash flow generation and steadily improving balance sheet, the Company has elected to increase the quarterly dividend by 11% to \$0.10 per common share.
- Tourmaline has completed asset sales of \$71.2 million to date in 2018 with no production impact and negligible reserve impact. The Company is targeting a further \$70-80 million in non-core asset sales in 2H 2018/Q1 2019.

## PRODUCTION UPDATE

- Q2 2018 average production of 260,930 boepd was below the originally-anticipated 265,000-275,000 boepd range.
- Q2 2018 production was impacted by a sales compressor failure at the Musreau plant in the Alberta Deep Basin and by multiple unplanned outages on the Enbridge system in the NEBC and Peace River High complexes. The Musreau facility issue affected production for seven weeks and reduced quarterly production by approximately 3,000 boepd; the replacement compressor returned production to normal levels by June 14. Several unplanned production interruptions on the Enbridge system were experienced in June at Gordondale, McMahon and Fourth Creek, reducing quarterly production by approximately 4,250 boepd. A forest fire during the last week of June in the Banshee-Anderson area of the Deep Basin resulted in well and plant shut-ins, further reducing June production volumes.
- The Company expects full-year average production of 267,500-275,000 boepd; the slightly lower range reflects the impact of unplanned outages in Q2 and Q3.
- The 2H 2018 EP program is anticipated to yield average Q4 2018 production of 285,000-295,000 boepd, with approximately 152 wells (gross) coming on production during the second half. The Company has been staging the 2018 EP program to maximize production volumes by November in order to fully capitalize on anticipated improving winter 2018/2019 natural gas prices. The Company will complete the remaining required annual facility maintenance on its plant network during Q3.
- During the second half of July, NGL production was reduced by approximately 4,200 bpd due to an unplanned outage at the third-party Saturn 1 Deep Cut facility in the Wild River area of the Deep Basin. The facility was repaired and back to full production by July 28.
- A slightly higher 2018 exit production range of 290,000-297,500 boepd is now expected, including liquids production of approximately 62,500 bpd. The Company plans to exit 2018 at or above anticipated full-year 2019 production levels of 291,000 boepd.

## EP UPDATE

### 2H 2018 Drilling Program

- Tourmaline is currently operating 14 drilling rigs and will drill approximately 140 wells (gross) in the second half of 2018. The Company currently has 45 drilled but uncompleted wells in inventory - completion operations will ramp up in the second half of August. Tourmaline plans to bring approximately 152 new wells on-stream across all three core complexes by year-end 2018.

### Q4 Liquid-Focused Facility Projects

- The four main liquid-focused facility projects, disclosed in the May 8, 2018 press release, remain on schedule for a fourth quarter 2018 startup. All four projects are included in the existing 2018 EP capital program.
- The Doe 2-11 sweetening and debottlenecking project is expected to start up in early October and add 3,000-3,500 bpd of condensate production.
- The Spirit River 13-28 compression expansion project is expected to start up in the second half of October and will add 2,500-3,000 bpd of incremental light oil production.
- The Wroe compression expansion project and Cecilia pipeline loop project in the Alberta Deep Basin are expected to be operational in the second half of October.
- The South Gundy drilling and condensate tie-in project is expected to start up at the beginning of November and will add approximately 1,500 bpd of incremental condensate production.

### Deep Basin Cardium Gas Condensate Play

- The next two wells in the Deep Basin Cardium gas condensate play (fifth and sixth wells overall) have tested at the top end of the performance range. The 13-36 well was flowing natural gas at 26.1 mmcfpd at a tubing pressure of 11,475 KPa with 846 bbls/day of condensate at the end of a 5-day flow test. The 16-2 well was flowing natural gas at 26.5 mmcfpd at a flowing tubing pressure of 12,150 KPa with 815 bbls/day of condensate at the end of a 4.75-day flow test.
- To date, four of the initial six wells in the play have expected average estimated ultimate recovery (EUR) of 10.0-12.5 bcf natural gas and 250,000-300,000 bbls of condensate. These are amongst the most attractive economic targets in the Western Canadian Sedimentary Basin, with completed well costs averaging \$4.0 million thus far in the play.
- An additional four to six delineation wells are planned for the Cardium natural gas/condensate play in 2H 2018 as the Company continues to delineate the scope of the regional trend.

### Gundy Creek BC Montney Development

- The Gundy Creek Phase 1 development remains on schedule with a 2H 2019 start-up of the initial Phase 1 200 mmcfpd deep cut plant for which field construction has commenced. The Phase 1 development will also yield 15,000-17,500 bpd of condensate, propane and NGLs (total Phase 1 production of approximately

50,000 boepd). The Company continues to evaluate the final timing for the Phase 2 development, which will double both gas and condensate volumes.

## CORPORATE SUMMARY – SECOND QUARTER 2018

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
<b>OPERATIONS</b>						
Production						
Natural gas ( <i>mcf/d</i> )	1,290,436	1,196,477	8%	1,309,478	1,195,435	10%
Crude oil and NGL ( <i>bbl/d</i> )	45,857	36,127	27%	46,461	35,176	32%
Oil equivalent ( <i>boe/d</i> )	260,930	235,540	11%	264,707	234,415	13%
Product prices <sup>(1)</sup>						
Natural gas ( <i>\$/mcf</i> )	\$ 2.25	\$ 3.19	(29)%	\$ 2.61	\$ 3.17	(18)%
Crude oil and NGL ( <i>\$/bbl</i> )	\$ 47.93	\$ 40.01	20%	\$ 47.00	\$ 40.85	15%
Operating expenses ( <i>\$/boe</i> )	\$ 3.18	\$ 3.22	(1)%	\$ 3.27	\$ 3.36	(3)%
Transportation costs ( <i>\$/boe</i> )	\$ 3.41	\$ 2.88	18%	\$ 3.37	\$ 2.85	18%
Operating netback <sup>(3)</sup> ( <i>\$/boe</i> )	\$ 12.10	\$ 15.36	(21)%	\$ 13.68	\$ 14.98	(9)%
Cash general and administrative expenses ( <i>\$/boe</i> ) <sup>(2)</sup>	\$ 0.52	\$ 0.46	13%	\$ 0.50	\$ 0.47	6%
<b>FINANCIAL</b>						
<i>(\$000, except share and per share)</i>						
Revenue	463,845	479,269	(3)%	1,014,011	945,914	7%
Royalties	19,990	19,409	3%	40,109	47,260	(15)%
Cash flow <sup>(3)</sup>	272,261	313,271	(13)%	624,509	606,204	3%
Cash flow per share ( <i>diluted</i> ) <sup>(3)</sup>	\$ 1.00	\$ 1.16	(14)%	\$ 2.30	\$ 2.25	2%
Net earnings	25,639	108,580	(76)%	155,227	208,114	(25)%
Net earnings per share ( <i>diluted</i> )	\$ 0.09	\$ 0.40	(78)%	\$ 0.57	\$ 0.77	(26)%
Capital expenditures ( <i>net of dispositions</i> )	191,773	189,532	1%	409,324	588,917	(30)%
Weighted average shares outstanding ( <i>diluted</i> )				271,343,615	269,302,667	1%
Net debt <sup>(3)</sup>				(1,538,658)	(1,558,203)	(1)%

(1) Product prices include realized gains and losses on financial instrument contracts.

(2) Excluding interest and financing charges.

(3) See "Non-GAAP Financial Measures" in the Company's Q2 2018 Management's Discussion and Analysis.

## Conference Call Tomorrow at 9:00 a.m. MT (11:00 a.m. ET)

Tourmaline will host a conference call tomorrow, August 2, 2018 starting at 9:00 a.m. MT (11:00 a.m. ET). To participate, please dial 1-888-231-8191 (toll-free in North America), or international dial-in 647-427-7450, a few minutes prior to the conference call.

Conference ID is 7937686.

## Reader Advisories

### CURRENCY

All amounts in this news release are stated in Canadian dollars unless otherwise specified.

### FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including the following: anticipated petroleum and natural gas production and production growth for various periods; the future declaration and payment of dividends and the timing and amount thereof; drilling inventory or locations; cash flow; cash flow per share; free cash flow; net debt-to-cash flow levels; production levels supported by certain of the Company's reserves and drilling inventory; capital spending; cost reduction initiatives; projected operating and drilling costs; the timing for facility expansions and facility start-up dates; EUR levels: as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities, prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the state of the economy and the exploration and production business; the availability and cost of financing, labour and services; and ability to market crude oil, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, free cash flow, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tourmaline to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although Tourmaline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Tourmaline can give no assurances that it will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves 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 risks associated with the oil and gas industry in general such as 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 estimates and projections relating to reserves, production, revenues, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect Tourmaline, or its operations or financial results, are included in the Company's most recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or Tourmaline's website ([www.tourmalineoil.com](http://www.tourmalineoil.com)).

The forward-looking information contained in this news release is made as of the date hereof and Tourmaline undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

#### **NON-GAAP FINANCIAL MEASURES**

This news release includes references to "free cash flow", "cash flow", "net debt" and "net capital expenditures" which are financial measures commonly used in the oil and gas industry and do not have a standardized meaning prescribed by International Financial Reporting Standards ("GAAP"). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the term "free cash flow", "cash flow", "net debt" and "net capital expenditures" for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures, to pay dividends or to repay debt. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to net income or cash from operating activities determined in accordance with GAAP as an indication of the Company's performance. Free cash flow is calculated as cash flow less total net capital expenditures and is prior to dividend payments. Net capital expenditures is defined as the sum of E&P capital program and other corporate expenditures, net of non-core dispositions. See "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis for the definition and description of "cash flow" and "net debt".

## **FINANCIAL OUTLOOK**

Also included in this news release are estimates of Tourmaline's 2018 cash flow as well as 2018 and 2019 production levels, which are based on, among other things, the various assumptions as to production levels, capital expenditures, annual cash flows and other assumptions disclosed in this news release and including Tourmaline's estimated average production of 267,500-275,000 boepd for 2018 and 291,000 boepd for 2019 and commodity price assumptions for natural gas (NYMEX (US) - \$3.00/mcf for 2018 and \$3.10/mcf for 2019; AECO - \$1.85/mcf for 2018 and \$2.25/mcf for 2019), and crude oil (WTI (US) - \$65.00/bbl for 2018 and \$60.00/bbl for 2019) and an exchange rate assumption of \$0.79 (US/CAD) for 2018 and \$0.80 for 2019. To the extent such estimates constitute a financial outlook, they were approved by management and the Board of Directors of Tourmaline on August 1, 2018 and are included to provide readers with an understanding of Tourmaline's anticipated cash flow based on the capital expenditure, production and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

## **INITIAL PRODUCTION RATES**

Any references in this news release to initial production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

## **ESTIMATED ULTIMATE RECOVERY (EUR)**

This news release contains a metric commonly used in the oil and natural gas industry, "estimated ultimate recovery" (EUR). The term EUR is the estimated quantity petroleum that is potentially recoverable or has already been recovered from a well. EUR does not have a standardized meaning and may not be comparable to similar measures presented by other companies. As such, it should not be used to make comparisons. Management uses EUR for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measure is not a reliable indicator of the Company's future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon. EUR was determined internally by the Company by a non-independent qualified reserves evaluator incorporating current well results and historical well performance from the Company's analogous pools in the nearby area.

## **GENERAL**

See also "Forward-Looking Statements", "Boe Conversions" and "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis.

**CERTAIN DEFINITIONS:**

<i>bbbl</i>	barrel
<i>bbls/day</i>	barrels per day
<i>bbl/mmcfc</i>	barrels per million cubic feet
<i>bcfc</i>	billion cubic feet
<i>bcfc</i>	billion cubic feet equivalent
<i>bpd or bbl/d</i>	barrels per day
<i>boe</i>	barrel of oil equivalent
<i>boepd or boe/d</i>	barrel of oil equivalent per day
<i>bopd or bbl/d</i>	barrel of oil, condensate or liquids per day
<i>EP</i>	exploration and production
<i>gc</i>	gigajoule
<i>gcs/d</i>	gigajoules per day
<i>mbbls</i>	thousand barrels
<i>mmbbls</i>	million barrels
<i>mboe</i>	thousand barrels of oil equivalent
<i>mcf</i>	thousand cubic feet
<i>mcfpd or mcf/d</i>	thousand cubic feet per day
<i>mcfc</i>	thousand cubic feet equivalent
<i>mmboc</i>	million barrels of oil equivalent
<i>mmbtu</i>	million British thermal units
<i>mmbtu/d</i>	million British thermal units per day
<i>mmcf</i>	million cubic feet
<i>mmcfpd or mmcf/d</i>	million cubic feet per day
<i>NGL or NGLs</i>	natural gas liquids

## MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

To view Tourmaline's Management's Discussion and Analysis and Interim Condensed Consolidated Financial Statements for the periods ended June 30, 2018 and 2017, please refer to SEDAR ([www.sedar.com](http://www.sedar.com)) as well as Tourmaline's website at [www.tourmalineoil.com](http://www.tourmalineoil.com).

### ABOUT TOURMALINE OIL CORP.

Tourmaline is a Canadian senior crude oil and natural gas exploration and production company focused on long-term growth through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin.

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