



NEWS RELEASE

JULY 31, 2019

## TOURMALINE REALIZES STRONG Q2 EARNINGS AND CONTINUES TO FOCUS ON FREE CASH FLOW GENERATION

**Calgary, Alberta** - Tourmaline Oil Corp. (TSX:TOU) ("Tourmaline" or the "Company") is pleased to release financial and operating results for the second quarter of 2019.

### HIGHLIGHTS

- 1H 2019 production average was 286,955 boepd, including impact of Q2 gas storage injections and gas price-related program deferrals.
- With Gundy Phase 1 now onstream, the Company reconfirms full-year average production of 300,000 boepd (range 295,000-305,000 boepd) in conjunction with an accumulated \$180.0 million of capital program reductions over the course of 2019.
- Second half August production of 300,000-305,000 boepd is expected, prior to maximizing throughput at the Gundy BC complex in September.
- Q2 2019 earnings before tax were \$62.8 million (\$154.9 million after tax), underscoring the profitability of Tourmaline's EP business, even during periods of extremely low commodity prices.
- Q2 2019 total capital spending was \$198.2 million; 1H 2019 total capital spending was \$582.6 million.
- The full-year EP capital budget has been reduced by a further \$25.0 million to \$1.125 billion. Even though capital has again been revised down from the original \$1.305 billion 2019 budget, there is no change in full-year guidance of 300,000 boepd. Incremental drill-and-complete capital cost reductions have provided the opportunity for these additional modest 2019 capital budget reductions.
- Forecast full-year 2019 free cash flow<sup>(1)</sup> of \$196.0 million is more than sufficient to fund the 2019 dividend payment of \$125.0 million.
- In the first six months of 2019, the Company generated \$63.7 million of free cash flow, in excess of the first half dividend payment of \$59.9 million.
- The new 100% Gundy deep-cut facility was commissioned in late May, while the turbo-expander, with the associated incremental liquids production, started up during June.

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<sup>(1)</sup> "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" in this news release and the Company's Q2 2019 Management's Discussion and Analysis.

## PRODUCTION UPDATE

- 1H 2019 production average was 286,955 boepd. With Gundy Phase 1 now onstream, the Company reconfirms full-year average production of 300,000 boepd (range 295,000-305,000 boepd). The range reflects the possibility of further low-gas price-related program deferrals.
- Q2 production averaged 280,547 boepd, and although an 8% increase from Q2 2018, it was adversely affected by:
  - The deferral of approximately 60 mmcfpd of planned new gas well startups out of Q2 2019 due to low prices.
  - Unplanned interruptions on the Enbridge system in BC reduced Q2 average volumes by an additional 3,500 boepd, beyond the major planned Enbridge and TC Energy maintenance outages in May.
  - The injection of approximately 1.6 bcf of natural gas (3,000 boepd) into storage at Dawn and in California in Q2 during a period of low gas prices. These injected volumes will be sold in Q4 2019 and Q1 2020 during periods of higher anticipated prices.
  - The low Station 2 prices in BC resulted in the Company not aggressively pursuing flowing volumes to third-party processing options at Gundy Ck.
- Second half August production of 300,000-305,000 boepd is expected, prior to maximizing throughput at the Gundy BC complex in September.

## LIQUIDS OUTLOOK

- Q2 2019 liquids production was 51,993 boepd, up 13% year-over-year, but behind original expectations. This was due to a series of operational issues in all three complexes:
  - Ongoing issues at the third-party Gordondale East plant on the Peace River High reduced oil volumes in the Peace River High complex by 2,000 bpd.
  - An unplanned pressure restriction on the Enbridge BC system that did not allow the Gundy plant to be produced at full volume in June, reducing June liquids volumes by approximately 2,500 bpd (condensate, NGLs).
  - Outage and turnarounds at the Deep Basin deep-cut complex accessed by the Company.
- The Gundy plant will be able to access both Enbridge and the North Montney line in September, allowing for a full ramp-up to maximum gas and condensate/NGL production (estimated 5,000 bpd increase).
- Frac operations on PRH complex DUC and completion of an NGL optimization project of the Spirit River 3-10 gas plant is expected to add approximately 2,500 bpd to volumes in the second half of 2019.
- Given the lower than expected 1H 2019 oil and liquids volumes, the Company is revising the full-year total average liquid production estimate to 61,000 bpd from 66,000 bpd, providing a 28% increase over 2018. The

exit 2019 liquids production estimate remains unchanged. The full-year 2019 total production guidance remains unchanged at 300,000 boepd.

## CAPITAL PROGRAM

- Q2 2019 total capital spending was \$198.2 million; 1H 2019 total capital spending was \$582.6 million.
- The Company ensured that EP capital spending and the dividend payment were less than cash flow<sup>(2)</sup> during the first half of 2019.
- The full-year EP capital budget has been reduced by a further \$25.0 million to \$1.125 billion. Even though capital has been further revised down from the original \$1.305 billion 2019 budget, there is no change in full-year guidance of 300,000 boepd. Incremental drill-and-complete capital cost reductions have provided the opportunity for these further modest 2019 capital budget reductions.
- Tourmaline deferred fifteen planned Q2 well completions into the second half of the year. The Company will frac and bring these wells onstream when natural gas prices improve. The current planned timing is October/November at the beginning of the winter heating season.

## Q2 2019 FINANCIAL RESULTS

- Q2 2019 earnings before tax were \$62.8 million (\$154.9 million after tax), underscoring the profitability of Tourmaline's EP business, even during periods of extremely low commodity prices.
- Q2 2019 cash flow was \$226.5 million (\$0.83/fully diluted share) down from Q1 2019 cash flow of \$419.2 million, due primarily to a Q2 AECO index price of \$1.04/mcf compared to \$2.64/mcf in Q1.
- The June 2019 AECO 5a index price was \$0.49/mcf, and as disclosed above, Tourmaline reduced planned June incremental gas volumes accessing AECO by approximately 60 mmcfpd. July AECO 5a prices have averaged \$1.29/mcf, improving due to a tightening supply/demand balance at that hub.
- Q2 2019 Station 2 prices in BC were \$0.61/mcf, also negatively impacting quarterly cash flow.
- Lower realized Q2 prices at all the NYMEX-based pricing points also contributed to lower Q2 cash flow. The seven NYMEX-based hubs that the Company sells gas at were down 55% in aggregate from Q1 2019.
- NGL prices in Q2 2019 were down 61% from realized prices in Q1 2019. Tourmaline anticipates approximately 5,500 bpd of propane sales at the Ridley Island export facility which is expected to improve the Company's overall liquids pricing in the second half of 2019.
- Tourmaline's oil marketing terminal on the PRH was expanded during the second quarter. It is expected to generate \$10.0 million per year of third-party and enhanced oil revenue to the Company's expanding processing and water management businesses.

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<sup>(2)</sup> "Cash flow" is defined as cash provided by operations before changes in non-cash operating working capital. See "Non-GAAP Financial Measures" in this news release and in the Company's Q2 2019 Management's Discussion and Analysis.

- Given continuing low gas prices at both the two Canadian and seven U.S. hubs that Tourmaline accesses, as well as reduced 2019 liquids volumes, the Company has decided to reduce both forecast 2019 gas prices and full-year 2019 cash flow to \$1.35 billion, down from \$1.50 billion previously. This revision will provide \$196.0 million of free cash flow after the planned capital program, more than sufficient to fund the 2019 dividend payment of \$125.0 million.

## EP UPDATE

- The new 100% interest Gundy deep-cut facility was commissioned in late May while the turbo-expander, with the associated incremental liquids production, started up during June. The facility is producing increasing volumes of on-spec liquids. Current maximum gas throughput at the facility is 130-135 mmcfpd. Pressure restriction on the Enbridge system related to the Q4 2018 Ft. Nelson mainline pipeline rupture has limited volumes to this level. Gas production will be increased to 200 mmcfpd with the startup of the TC North Montney line in September. Related liquid production will also be increased at that time.
- June operating costs for the NEBC Montney gas condensate complex were reduced to a record low \$2.50/boe, driven by the startup of the new Tourmaline-operated plant at Gundy.
- Tourmaline continues to build the DUC inventory in the Alberta Deep Basin. The Company anticipates fracing and bringing on production from 30-40 wells in the September-November timeframe with incremental gas volumes realizing anticipated improved winter pricing. With the Alberta Deep Basin now in a 'maintenance capital' mode, the Company plans to maximize production during the Q4 and Q1 winter periods with lower planned production from the complex during the summer months, on an annual basis.

## CORPORATE SUMMARY – SECOND QUARTER 2019

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
<b>OPERATIONS</b>						
Production						
Natural gas ( <i>mcf/d</i> )	<b>1,371,325</b>	1,290,436	6%	<b>1,405,081</b>	1,309,478	7%
Crude oil and NGL ( <i>bbl/d</i> )	<b>51,993</b>	45,857	13%	<b>52,775</b>	46,461	14%
Oil equivalent ( <i>boe/d</i> )	<b>280,547</b>	260,930	8%	<b>286,955</b>	264,707	8%
Product prices <sup>(1)</sup>						
Natural gas ( <i>\$/mcf</i> )	<b>\$ 2.07</b>	\$ 2.25	(8)%	<b>\$ 2.84</b>	\$ 2.61	9%
Crude oil and NGL ( <i>\$/bbl</i> )	<b>\$ 39.08</b>	\$ 47.93	(18)%	<b>\$ 40.27</b>	\$ 47.00	(14)%
Operating expenses ( <i>\$/boe</i> )	<b>\$ 3.47</b>	\$ 3.18	9%	<b>\$ 3.48</b>	\$ 3.27	6%
Transportation costs ( <i>\$/boe</i> )	<b>\$ 3.67</b>	\$ 3.41	8%	<b>\$ 3.74</b>	\$ 3.37	11%
Operating netback <sup>(3)</sup> ( <i>\$/boe</i> )	<b>\$ 9.60</b>	\$ 12.10	(21)%	<b>\$ 13.19</b>	\$ 13.68	(4)%
Cash general and administrative expenses ( <i>\$/boe</i> ) <sup>(2)</sup>	<b>\$ 0.49</b>	\$ 0.52	(6)%	<b>\$ 0.48</b>	\$ 0.50	(4)%
<b>FINANCIAL</b>						
<i>(\$000, except share and per share)</i>						
Revenue	<b>443,359</b>	463,845	(4)%	<b>1,107,660</b>	1,014,011	9%
Royalties	<b>16,194</b>	19,990	(19)%	<b>47,817</b>	40,109	19%
Cash flow <sup>(3)</sup>	<b>226,458</b>	272,261	(17)%	<b>645,700</b>	624,509	3%
Cash flow per share ( <i>diluted</i> ) <sup>(3)</sup>	<b>\$ 0.83</b>	\$ 1.00	(17)%	<b>\$ 2.37</b>	\$ 2.30	3%
Net earnings	<b>154,940</b>	25,639	504%	<b>242,650</b>	155,227	56%
Net earnings per share ( <i>diluted</i> )	<b>\$ 0.57</b>	\$ 0.09	533%	<b>\$ 0.89</b>	\$ 0.57	56%
Capital expenditures ( <i>net of dispositions</i> )	<b>198,179</b>	191,773	3%	<b>582,563</b>	409,324	42%
Weighted average shares outstanding ( <i>diluted</i> )				<b>272,046,678</b>	271,343,615	–%
Net debt <sup>(3)</sup>				<b>(1,717,182)</b>	(1,538,658)	12%

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

(2) Excluding interest and financing charges.

(3) See "Non-GAAP Financial Measures" in this news release and in the Company's Q2 2019 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 1, 2019 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 8788218.

## 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 including estimated production levels for 2019; the future declaration and payment of dividends and the timing and amount thereof including any future increase; cash flow; free cash flow; 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 bringing on production from storage or from DUC wells and facility expansions and facility start-up dates; anticipated future commodity prices; anticipated revenue from the Company's oil marketing terminal; 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 including in the case of 2019 production estimates, commodity price assumptions for natural gas (NYMEX (US) - \$2.75/mcf for 2019, AECO - \$1.80/mcf for 2019), and crude oil (WTI (US) - \$60.00/bbl for 2019) and an exchange rate assumption of \$0.76 (US/CAD) for 2019; 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 is 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", "net capital expenditures" and "operating netback" 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 financial measures presented by other companies. Management uses the term "free cash flow", "cash flow", "net debt", "net capital expenditures" and "operating netback" 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 financial 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. Cash flow is defined as cash provided by operations before changes in non-cash operating working capital. Net debt is defined as bank debt plus working capital (adjusted for the fair value of financial instruments and lease liabilities). 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 additional information regarding these non-GAAP financial measures including reconciliations to the most directly comparable GAAP financial measures.

## **FINANCIAL OUTLOOK**

Also included in this news release are estimates of Tourmaline's free cash flow, production levels and capital expenditures over various periods, 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 300,000 boepd for 2019 and commodity price assumptions for natural gas (NYMEX (US) - \$2.75/mcf; AECO - \$1.80/mcf, and crude oil (WTI (US) - \$60.00/bbl) and an exchange rate assumption of \$0.76 (US/CAD). To the extent such estimates constitute a financial outlook, they were approved by management and the Board of Directors of Tourmaline on July 31, 2019 and are included to provide readers with an understanding of Tourmaline's anticipated aggregate free 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.

## **OIL AND GAS METRICS**

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the Company's performance in previous periods and therefore such metrics should not be unduly relied upon.

## **BOE EQUIVALENCY**

Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

## **GENERAL**

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

**CERTAIN DEFINITIONS:**

<i>bbl</i>	barrel
<i>bbls/day</i>	barrels per day
<i>bbl/mmcft</i>	barrels per million cubic feet
<i>bcf</i>	billion cubic feet
<i>bcfe</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>DUC</i>	drilled but uncompleted wells
<i>gj</i>	gigajoule
<i>gjs/d</i>	gigajoules per day
<i>mbbls</i>	thousand barrels
<i>mmbbls</i>	million barrels
<i>mboe</i>	thousand barrels of oil equivalent
<i>mboepd</i>	thousand barrels of oil equivalent per day
<i>mcf</i>	thousand cubic feet
<i>mcfpd or mcf/d</i>	thousand cubic feet per day
<i>mcfe</i>	thousand cubic feet equivalent
<i>mmboe</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>MPa</i>	megapascal
<i>mstb</i>	thousand stock tank barrels
<i>NGL or NGLs</i>	natural gas liquids
<i>tcf</i>	trillion cubic feet

**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, 2019 and 2018, please refer to SEDAR ([www.sedar.com](http://www.sedar.com)) or 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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