

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(000s) (unaudited)</i>	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,801	\$ –
Accounts receivable	231,186	259,863
Prepaid expenses and deposits	18,285	13,102
Fair value of financial instruments <i>(note 3)</i>	32,190	12,128
Total current assets	296,462	285,093
Long-term asset	4,261	4,819
Fair value of financial instruments <i>(note 3)</i>	5,426	3,021
Exploration and evaluation assets <i>(note 4)</i>	546,175	621,656
Property, plant and equipment <i>(note 5)</i>	10,384,906	10,255,190
Right-of-use asset <i>(note 6)</i>	9,287	10,831
Total Assets	\$11,246,517	\$ 11,180,610
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 417,957	\$ 412,343
Lease liabilities <i>(note 6)</i>	1,673	2,724
Fair value of financial instruments <i>(note 3)</i>	47,321	23,013
Total current liabilities	466,951	438,080
Bank debt <i>(note 8)</i>	1,634,443	1,619,009
Lease liabilities <i>(note 6)</i>	7,721	8,155
Fair value of financial instruments <i>(note 3)</i>	53,437	25,571
Decommissioning obligations <i>(note 7)</i>	441,770	321,863
Deferred taxes	647,696	801,343
Shareholders' equity:		
Share capital <i>(note 10)</i>	5,882,589	5,886,977
Non-controlling interest <i>(note 9)</i>	278,258	181,571
Contributed surplus	302,808	287,410
Retained earnings	1,530,844	1,610,631
Total shareholders' equity	7,994,499	7,966,589
Total Liabilities and Shareholders' Equity	\$11,246,517	\$ 11,180,610

Commitments (note 13).

Subsequent events (notes 3 and 15).

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(000s) except per-share amounts (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
Commodity sales from production (note 14)	\$ 545,092	\$ 340,639	\$ 1,512,642	\$ 1,258,018
Premium (loss) on risk management activities (note 14)	(38,180)	78,688	(95,088)	258,734
Marketing revenue (note 14)	10,305	9,533	38,269	22,288
Royalties	(8,596)	(12,654)	(36,900)	(60,471)
Other income	11,964	11,191	26,842	27,842
Realized gain on financial instruments	11,149	20,762	68,975	30,997
Unrealized gain (loss) on financial instruments (note 3)	(58,843)	14,117	(29,707)	(9,603)
Total revenue	472,891	462,276	1,485,033	1,527,805
Expenses:				
Operating	89,370	82,904	256,084	263,532
Transportation	125,114	102,173	372,645	296,397
Marketing purchases	9,654	8,555	37,464	20,601
General and administration	15,182	12,877	48,550	37,633
Share-based payments (note 12)	2,649	3,420	7,536	10,773
Depletion, depreciation, amortization and impairment (notes 4, 5 and 6)	209,588	212,177	921,886	643,026
Realized foreign exchange (gain) loss	1,962	838	(27,912)	6,427
Unrealized foreign exchange (gain) loss	1,123	(489)	60	1,904
(Gain) on acquisitions and divestitures	–	–	(122,006)	(6,064)
Total expenses	454,642	422,455	1,494,307	1,274,229
Income (loss) from operations	18,249	39,821	(9,274)	253,576
Finance expenses	11,817	17,395	41,042	45,870
Income (loss) before taxes	6,432	22,426	(50,316)	207,706
Deferred tax expense (recovery)	2,679	6,735	(37,748)	(50,566)
Net income (loss) and comprehensive income (loss) before non-controlling interest	3,753	15,691	(12,568)	258,272
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	4,826	15,750	(10,880)	258,400
Non-controlling interest (note 9)	(1,073)	(59)	(1,688)	(128)
	\$ 3,753	\$ 15,691	\$ (12,568)	\$ 258,272
Net income (loss) per share attributable to common shareholders (note 11)				
Basic	\$ 0.02	\$ 0.06	\$ (0.04)	\$ 0.95
Diluted	\$ 0.02	\$ 0.06	\$ (0.04)	\$ 0.95

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(000s) (unaudited)</i>	Share Capital	Contributed Surplus	Retained Earnings	Non-Controlling Interest	Total Equity
Balance at December 31, 2019	\$ 5,886,977	\$ 287,410	\$ 1,610,631	\$ 181,571	\$ 7,966,589
Issuance of Topaz common shares to NCI (note 9)	–	–	30,652	114,639	145,291
Share issue costs, net of tax on issuance of Topaz common shares (note 9)	–	–	(2,052)	(1,136)	(3,188)
Share-based payments	–	7,536	–	–	7,536
Capitalized share-based payments	–	5,280	–	–	5,280
Options exercised (notes 10 and 12)	426	(79)	–	–	347
Purchase of common shares under NCIB (note 10)	(4,814)	2,661	–	–	(2,153)
Dividends paid (note 10)	–	–	(97,507)	(15,128)	(112,635)
(Loss) attributable to common shareholders	–	–	(10,880)	–	(10,880)
(Loss) attributable to non-controlling interest	–	–	–	(1,688)	(1,688)
Balance at September 30, 2020	\$ 5,882,589	\$ 302,808	\$ 1,530,844	\$ 278,258	\$ 7,994,499

<i>(000s) (unaudited)</i>	Share Capital	Contributed Surplus	Retained Earnings	Non-Controlling Interest	Total Equity
Balance at December 31, 2018	\$ 5,909,664	\$ 253,055	\$ 1,380,593	\$ 28,068	\$ 7,571,380
Share-based payments	–	10,773	–	–	10,773
Capitalized share-based payments	–	8,484	–	–	8,484
Options exercised (notes 10 and 12)	188	(40)	–	–	148
Purchase of common shares (note 10)	(4,844)	1,853	–	–	(2,991)
Dividends paid (note 10)	–	–	(92,470)	–	(92,470)
Income attributable to common shareholders	–	–	258,400	–	258,400
(Loss) attributable to non-controlling interest	–	–	–	(128)	(128)
Balance at September 30, 2019	\$ 5,905,008	\$ 274,125	\$ 1,546,523	\$ 27,940	\$ 7,753,596

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(000s) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operations:				
Net income (loss)	\$ 4,826	\$ 15,750	\$ (10,880)	\$ 258,400
Items not involving cash:				
Depletion, depreciation, amortization and impairment	209,588	212,177	921,886	643,026
Accretion (note 7)	1,254	1,553	3,390	4,300
Lease interest expense (note 6)	89	58	201	177
Share-based payments (note 12)	2,649	3,420	7,536	10,773
Deferred tax expense (recovery)	2,679	6,735	(37,748)	(50,566)
Unrealized (gain) loss on financial instruments (note 3)	58,843	(14,117)	29,707	9,603
(Gain) on acquisitions and divestitures (note 5)	–	–	(122,006)	(6,064)
Amortization on long-term asset	180	186	552	560
Non-controlling interest (note 9)	(1,073)	(59)	(1,688)	(128)
Unrealized foreign exchange (gain) loss	1,123	(489)	60	1,904
Decommissioning expenditures (note 7)	(235)	(1,230)	(2,192)	(2,301)
Changes in non-cash operating working capital	10,872	(18,186)	9,792	17,516
Total cash flow from operating activities	290,795	205,798	798,610	887,200
Financing:				
Issue of common shares	347	–	347	148
Purchase of common shares under NCIB (note 10)	–	(2,991)	(2,153)	(2,991)
Issuance of Topaz common shares to NCI (note 9)	16,163	–	141,143	–
Lease payments (note 6)	(677)	(1,295)	(2,653)	(3,772)
Dividends paid (note 10)	(39,306)	(32,620)	(112,635)	(92,470)
Increase (decrease) in bank debt	(137,762)	203,055	10,173	286,430
Total cash flow from financing activities	(161,235)	166,149	34,222	187,345
Investing:				
Exploration and evaluation (note 4)	(1,377)	(9,709)	(5,046)	(33,779)
Property, plant and equipment (note 5)	(239,864)	(200,159)	(654,917)	(759,894)
Property acquisitions (note 5)	(113,454)	(174,439)	(152,613)	(175,035)
Proceeds from divestitures (note 5)	–	–	235	1,838
Corporate acquisitions (note 5)	–	–	(27,072)	–
Changes in non-cash investing working capital	90,279	12,360	21,382	(107,675)
Total cash flow used in investing activities	(264,416)	(371,947)	(818,031)	(1,074,545)
Changes in cash	(134,856)	–	14,801	–
Cash, beginning of period	149,657	–	–	–
Cash, end of period	\$ 14,801	\$ –	\$ 14,801	\$ –

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2020 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(tabular amounts in thousands of dollars, unless otherwise noted) (unaudited)

Corporate Information:

Tourmaline Oil Corp. (the “Company”) was incorporated under the laws of the Province of Alberta on July 21, 2008. The Company is engaged in the acquisition, exploration, development and production of petroleum and natural gas properties.

These unaudited interim condensed consolidated financial statements reflect only the Company’s proportionate interest in such activities. The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2020.

The Company’s registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 1G1.

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. These unaudited interim condensed consolidated financial statements do not include all of the information and disclosure required in the annual financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2019.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars and include the accounts of Tourmaline Oil Corp., Polar Star Canadian Oil and Gas Inc. (“Polar Star”), Chinook Energy Inc. including its 100% owned subsidiaries Storm Ventures International (BVI) Limited and 1542991 Alberta Ltd (“Chinook”), and Tourmaline Oil Corp.’s 63.5% owned subsidiary Topaz Energy Corp. (“Topaz”) (note 9), which have a functional currency of Canadian dollars. Tourmaline Oil Corp. also includes its 100% owned subsidiary Tourmaline Oil Marketing Corp., which has a functional currency of US dollars.

The accounting policies and significant accounting judgments, estimates, and assumptions used in these unaudited interim condensed consolidated financial statements are consistent with those described in Notes 1 and 2 of the Company’s consolidated financial statements for the year ended December 31, 2019 except as noted below:

Additional accounting policy

Government grants:

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. When the conditions of a grant relate to income or expense, it is recognized in profit or loss in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying

amount of the related asset and amortized into income on a systematic basis over the expected useful life of the underlying asset through DD&A.

Key sources of estimation uncertainty:

The COVID-19 pandemic has had a significantly negative impact on global economic conditions in 2020. This has included a large decrease in oil demand which combined with other macro-economic conditions has resulted in significant volatility of commodity prices as well as increased economic uncertainty.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand for the commodities the Company produces, our suppliers, on our employees and on global financial markets. As a result of the material drop in the forward oil curve, the Company recorded an impairment on its Spirit River CGU for the three months ended March 31, 2020 of \$250.0 million (note 5). There is an increased potential for further impairments or reversals of impairment over the duration of the pandemic due to increased volatility in commodity prices and decreased global economic activity.

The Company has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. The Company historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Company continues to expect that its receivables are substantially collectible at September 30, 2020.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for our business environment, operations and financial conditions. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our interim consolidated statement of income (loss) and comprehensive income (loss), interim consolidated statement of financial position, or interim consolidated statement of consolidated cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at period end and have been reflected in our results with any significant change described above.

Capital management:

During this period of uncertainty, the Company is committed to maintaining its strong balance sheet and financial liquidity. At September 30, 2020, the Company has \$14.8 million in cash and \$1.3 billion in unutilized borrowing capacity on its credit facilities, all of which are covenant based and not directly tied to changes in the Company's oil and gas reserves, insulating the Company's borrowing capacity against large swings in commodity price decks used to calculate reserve values. At September 30, 2020, the Company was not in breach of any covenants and has room under those covenants to allow for further deterioration of commodity prices and an increase in future borrowings to navigate through these uncertain times, if required. The Company has sufficient liquidity through cash flow to execute the remainder of the 2020 capital budget and continues to monitor and adjust as necessary.

Since the economic impacts of the COVID-19 pandemic began, the Company has chosen to stop repurchasing shares while choosing to focus on liquidity through this volatile commodity price and macro economic environment.

2. DETERMINATION OF FAIR VALUE

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Tourmaline classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. Bank debt bears interest at a floating market rate with applicable variable margins, and accordingly the fair market value approximates the carrying amount. The Company's derivative financial instruments have been assessed on the fair value hierarchy described above and classified as Level 2.

3. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 5 of the Company's consolidated financial statements for the year ended December 31, 2019.

As at September 30, 2020, the Company has entered into certain financial derivative contracts in order to manage commodity price, foreign exchange and interest rate risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity and interest rate contracts to be effective economic hedges. As a result, all such contracts are recorded on the interim consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the interim consolidated statement of income (loss) and comprehensive income (loss).

The Company has the following financial derivative contracts in place as at September 30, 2020 ⁽¹⁾:

		2020	2021	2022	2023	Fair Value (000s)
Gas						
AECO swaps ⁽²⁾	<i>mmbtu/d</i>	11,873	9,491	–	–	\$ (2,441)
	<i>CAD\$/mmbtu</i>	\$ 1.93	\$ 2.27			
NYMEX swaps	<i>mmbtu/d</i>	131,576	76,658	–	–	\$ (9,139)
	<i>USD\$/mmbtu</i>	\$ 2.44	\$ 2.68			
PGE swaps	<i>mmbtu/d</i>	10,000	–	–	–	\$ (377)
	<i>USD\$/mmbtu</i>	\$ 3.56				
Basis differentials – other	<i>mmbtu/d</i>	38,370	37,500	37,500	37,500	\$ (31,595)
	<i>USD\$/mmbtu</i>	\$ 0.38	\$ 0.29	\$ 0.29	\$ 0.29	
Call options (writer) ⁽³⁾	<i>mmbtu/d</i>	63,194	29,932	–	–	\$ (3,493)
	<i>USD\$/mmbtu</i>	\$ 3.38	\$ 3.42			
Oil						
Financial swaps	<i>bbls/d</i>	11,500	4,250	–	–	\$ 30,729
	<i>USD\$/bbl</i>	\$ 47.68	\$ 52.26			
Financial collars	<i>bbls/d</i>	1,000	250	–	–	\$ 1,213
		\$ 52.50 -	\$ 33.75 -			
	<i>USD\$/bbl</i>	\$ 65.48	\$ 40.00			
Financial swaption	<i>bbls/d</i>	–	5,000	–	–	\$ (16,294)
	<i>USD\$/bbl</i>		\$ 39.46			
Condensate differentials	<i>bbls/d</i>	500	–	–	–	\$ (415)
	<i>USD\$/bbl</i>	\$ (6.00)				
Total fair value						\$ (31,812)

(1) The volumes and prices reported are the weighted average volumes and prices for the period.

(2) These transactions have been entered into by Topaz.

(3) These are European calls whereby the counterparty can exercise the option monthly on a particular day to purchase NYMEX or AECO at a specified price.

The Company has entered into the following financial commodity derivative contracts subsequent to September 30, 2020.

Type of Contract	Quantity	Time Period	Contract Price
NYMEX- Swap	40,000 mmbtu/d	November 2020	USD \$2.87/mmbtu average
NYMEX- Swap	20,000 mmbtu/d	January 2021 – December 2021	USD \$3.05/mmbtu average
NYMEX- Swap	30,000 mmbtu/d	January 2022 – December 2022	USD \$2.73/mmbtu average
NYMEX – Call Writer	20,000 mmbtu/d	January 2022 – December 2022	USD \$3.50/mmbtu
AECO Swap	10,000 GJ/d	November 2020	CAD \$2.68/GJ

The Company has entered into multiple interest rate swaps over the next six years at an annual average interest rate as detailed below:

	2020	2021	2022	2023	2024	2025	Fair Value
Effective interest rate ⁽¹⁾	1.77%	1.83%	1.89%	2.02%	2.15%	1.74%	
Notional amount hedged (000s)	\$ 741,667	\$ 754,167	\$ 708,333	\$ 539,583	\$ 200,000	\$ 25,000	\$ (31,330)

(1) Canadian dealer offer rate, excluding stamping and stand-by fees.

The Company has not entered into any interest rate derivative contracts subsequent to September 30, 2020.

In June 2020, the Company unwound its foreign currency derivative contracts and recorded a realized gain of \$26.1 million which is included in realized foreign exchange (gain) loss on the interim consolidated statements of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2020 and 2019.

The following table provides a summary of the unrealized gains (losses) on financial instruments recorded in the interim consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2020 and 2019:

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Unrealized gain (loss) on financial instruments – commodity contracts	\$ (60,014)	\$ 14,661	\$ 7,109	\$ (9,104)
Unrealized gain (loss) on financial instruments – interest rate swaps	1,171	1,377	(34,072)	(17,247)
Unrealized gain (loss) on financial instruments – foreign currency	–	(1,921)	(2,744)	16,748
Total unrealized gain (loss) on financial instruments	\$ (58,843)	\$ 14,117	\$ (29,707)	\$ (9,603)

In addition to the financial commodity contracts discussed above, the Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the interim condensed consolidated financial statements.

The Company has the following physical commodity contracts in place at September 30, 2020 ⁽¹⁾⁽⁵⁾:

		2020	2021	2022	2023	2024
Gas						
Fixed price ⁽²⁾	<i>mcf/d</i>	246,919	158,138	12,068	2,068	1,243
	<i>CAD\$/mcf</i>	\$ 2.85	\$ 2.73	\$ 4.23	\$ 3.33	\$ 3.33
Basis differentials - AECO ⁽³⁾	<i>mmbtu/d</i>	187,500	139,130	132,500	109,164	50,833
	<i>USD\$/mmbtu</i>	\$ (0.75)	\$ (0.72)	\$ (0.72)	\$ (0.77)	\$ (0.73)
Basis differentials - Dawn	<i>mmbtu/d</i>	45,000	11,164	15,000	10,000	–
	<i>USD\$/mmbtu</i>	\$ (0.12)	\$ (0.12)	\$ (0.09)	\$ (0.09)	
Basis differentials – Stn 2	<i>mcf/d</i>	42,274	32,984	20,000	16,658	–
	<i>CAD\$/mcf</i>	\$ 0.22	\$ 0.07	\$ 0.45	\$ 0.43	
Basis differentials – Other ⁽⁴⁾	<i>mcf/d</i>	20,000	35,000	35,000	37,514	62,500
	<i>CAD\$/mcf</i>	\$ 0.27	\$ 0.06	\$ 0.06	\$ (0.01)	\$ (0.09)
Oil						
Basis differentials	<i>bbls/d</i>	8,210	2,089	–	–	–
	<i>USD\$/bbl</i>	\$ (7.75)	\$ (2.22)			

(1) The volumes and prices reported are the weighted-average volumes and prices for the period.

(2) These include AECO, Stn 2, Dawn, Malin, PGE, Ventura and Hunt.

(3) A portion of these basis deals have a cap on NYMEX, 74.5 mmcf/d at USD\$4.21/mcf from 2020-2021 and 46.4 mmcf/d at USD\$4.48/mcf from 2022-2024.

(4) These are basis differentials for non-AECO markets.

(5) Tourmaline also has entered into deals to sell 50,000 mmbtu/d priced off Chicago GDD less transportation costs and 20,000 mmbtu/d priced off Ventura GDD less transportation costs that extend through 2020; 5,000 mmbtu/d priced off Chicago GDD less transportation costs that extends to 2023; and 20,000 mmbtu/d in 2020. Tourmaline reserves the right to periodically fix or lock in the basis in each market.

The Company has entered into the following physical contracts subsequent to September 30, 2020:

Type of Contract	Quantity	Time Period	Contract Price
Gas Fixed Price	110,000 GJ/d	November 2020	CAD \$2.91/GJ average
Gas Fixed Price	25,000 GJ/d	December 2020	CAD \$3.12/GJ average
Gas Fixed Price	20,000 GJ/d	January 2021	CAD \$3.23/GJ average
Gas Fixed Price	5,000 GJ/d	February 2021	CAD \$3.27/GJ
Gas Fixed Price	10,000 GJ/d	March 2021	CAD \$3.13/GJ average
Basis differentials – other	10,000 mmbtu/d	January 2021 – December 2023	USD \$0.80/mmbtu
Gas Fixed Price	30,000 mmbtu/d	December 2020	USD \$4.09/mmbtu average
Gas Fixed Price	10,000 GJ/d	April 2021 – October 2021	CAD \$2.64/GJ average
Gas Fixed Price	10,000 GJ/d	April 2021 – October 2021	CAD \$2.45/GJ
Gas Fixed Price	55,000 GJ/d	January 2021 – December 2021	CAD \$2.72/GJ average
Gas Fixed Price	20,000 GJ/d	January 2022 – December 2022	CAD \$2.73/GJ
Gas Fixed Price	10,000 GJ/d	November 2020 – March 2021	CAD \$3.15/GJ

4. EXPLORATION AND EVALUATION ASSETS

(000s)

As at December 31, 2019	\$ 621,656
Capital expenditures	5,046
Transfers to property, plant and equipment (<i>note 5</i>)	(54,487)
Acquisitions	13,872
Divestitures	(127)
Expired mineral leases	(39,785)
As at September 30, 2020	\$ 546,175

Exploration and evaluation (“E&E”) assets consist of the Company’s exploration projects which are pending the determination of proven and probable reserves, as well as undeveloped land. Additions represent the Company’s share of costs on E&E assets during the period.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2020 and December 31, 2019, the Company determined that no indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

At March 31, 2020, the Company identified indicators of impairment related to its E&E assets due to a decline in planned capital expenditures as a result of lower commodity prices and performed impairment tests accordingly.

An impairment is recognized if the carrying value of E&E assets exceeds the recoverable amount. For the purposes of impairment testing, the assets are grouped into CGUs. The Company determines the recoverable amount by using the greater of fair value less cost-to-sell and the value-in-use. At March 31, 2020, the Company determined that the recoverable amount of its E&E assets exceeded the carrying value and, as such, no impairment to E&E assets was recorded.

5. PROPERTY, PLANT AND EQUIPMENT (“PP&E”)

Cost

(000s)

As at December 31, 2019	\$ 15,085,743
Capital expenditures	660,197
Transfers from exploration and evaluation (<i>note 4</i>)	54,487
Change in decommissioning liabilities (<i>note 7</i>)	95,538
Property acquisitions	154,692
Corporate acquisitions	44,627
Divestitures	(235)
As at September 30, 2020	\$ 16,095,049

Accumulated Depletion, Depreciation, Amortization and Impairment

(000s)

As at December 31, 2019	\$ 4,830,553
Depletion, depreciation and amortization	629,590
Impairment expense	250,000
As at September 30, 2020	\$ 5,710,143

Net Book Value

(000s)

As at December 31, 2019	\$ 10,255,190
As at September 30, 2020	\$ 10,384,906

Future development costs of \$8,048.8 million were included in the depletion calculation at September 30, 2020 (December 31, 2019 – \$7,404.4 million).

Capitalization of G&A and Share-Based Payments

A total of \$24.5 million in G&A expenditures have been capitalized and included in PP&E for the nine months ended September 30, 2020 (December 31, 2019 – \$29.5 million). Also included in PP&E are non-cash share-based payments of \$5.3 million (December 31, 2019 - \$10.6 million). No borrowing costs have been capitalized and included in PP&E at September 30, 2020 (December 31, 2019 – \$3.0 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment or reversal of impairment. At September 30, 2020, the Company did not identify indicators of impairment or reversal of impairment on any of its CGUs and therefore, an impairment or reversal of impairment test was not performed.

At March 31, 2020, the Company identified indicators of impairment on all of its CGUs due to the decline in current and forward commodity prices and performed impairment tests accordingly.

An impairment is recognized if the carrying value of a CGU exceeds the recoverable amount for that CGU. The Company determines the recoverable amount by using the greater of fair value less cost to sell and the value-in-use. Value-in-use is generally the future cash flows expected to be derived from production of proven and probable reserves estimated by the Company's third-party reserve evaluators and the internally estimated future cash flows of facility infrastructure, when required. At March 31, 2020, the Company used value-in-use, discounting reserves at pre-tax rates ranging between 9-12%, and an internally estimated value for infrastructure.

The following forward third-party commodity price estimates were used in determining whether an impairment to the carrying value of the CGUs existed at March 31, 2020:

Year	WTI Oil (USD\$/bbl) ⁽¹⁾	Foreign Exchange Rate ⁽¹⁾	Edmonton Light Crude Oil (Cdn\$/bbl) ⁽¹⁾	AECO Gas (Cdn\$/mmbtu) ⁽¹⁾
2020	43.07	0.7089	31.04	1.75
2021	50.52	0.7283	46.85	2.20
2022	63.05	0.7450	59.27	2.38
2023	69.10	0.7467	65.02	2.45
2024	72.14	0.7483	68.43	2.53
2025	75.18	0.7500	69.81	2.60
2026	76.82	0.7500	71.24	2.66
2027	78.36	0.7500	72.70	2.72
2028	79.92	0.7500	74.19	2.79
2029	83.15	0.7500	75.71	2.85
Thereafter	+2.0%/yr	0.7500	+2.0%/yr	+2.0%/yr

(1) Source: 3 Consultants' average, GLJ Petroleum Consultants, McDaniel & Associates Consultants, and Sproule Associates price forecasts, effective April 1, 2020.

The Company determined that its Spirit River CGU was impaired at March 31, 2020 and recorded a \$250.0 million impairment. The impairment was a result of the material decrease in the forward price curve for oil. The decrease in the oil price curve resulted in a significant drop in the Net Present Value of the associated reserves in the Spirit River CGU. There were no impairments recorded in the Company's other CGUs.

The recoverable amount and resulting impairment expense, if any, of the Company's CGUs is sensitive to changes in discount rates and forward price curves over the life of the reserves. The external reserve evaluators also assess many other financial assumptions regarding royalty rates, operating costs and future development costs along with several other non-financial assumptions that affect reserve volumes. Management considered these assumptions for the impairment test at March 31, 2020; however, it should be noted that all estimates are subject to uncertainty.

For the year ended December 31, 2019, the Company identified indicators of impairment on its Deep Basin, Spirit River and BC Montney CGUs due to the decrease in natural gas sales point diversification premiums since December 31, 2018 and the royalty burden placed on the Company's reserves by the creation of Topaz and performed impairment tests accordingly. There were no indicators of impairment on the Topaz CGU at December 31, 2019. The Company determined that there was no impairment to PP&E at December 31, 2019.

Corporate Acquisitions

Polar Star Canadian Oil and Gas Inc.

On February 14, 2020, the Company acquired all of the issued and outstanding shares of Polar Star for total cash consideration of \$12.0 million, including the assumption of working capital. The acquisition of Polar Star is part of the Company's consolidation activities in the core Northeast BC ("NEBC") area and provides for an increase in developed lands, production and includes a compressor station. Total transaction costs incurred by the Company of \$0.2 million associated with this acquisition were expensed in the interim consolidated statement of income (loss) and comprehensive income (loss). The acquisition resulted in a gain of \$34.2 million as a result of the Company acquiring a deferred income tax asset as part of the acquisition of \$33.8 million.

Results from operations for Polar Star are included in the Company's unaudited interim consolidated financial statements from the closing date of the transaction. The value attributed to the PP&E acquired was supported by an engineering report prepared at December 31, 2018 by independent reserve engineers and internally rolled forward to February 14, 2020 using proved plus probable reserves discounted at a rate based on what a market participant would have paid as well as market metrics in the prevailing area at that time. The acquisition has been accounted for using the purchase method based on fair values as follows using discount rates based on what a market participant would have paid:

<i>(000s)</i>	Polar Star Canadian Oil and Gas Inc.
Fair value of net assets acquired:	
Cash	\$ 642
Working capital	5,598
Property, plant and equipment	8,666
Decommissioning obligations	(2,537)
Deferred income tax asset	33,805
Gain on acquisition	(34,204)
Total	\$ 11,970
Consideration:	
Cash	\$ 11,970

Chinook Energy Inc.

On April 21, 2020, the Company acquired all of the issued and outstanding shares of Chinook for total cash consideration of \$15.1 million, including the assumption of working capital. The acquisition of Chinook is part of the Company's consolidation activities in the core NEBC area and provides for an increase in developed lands and production and infrastructure including a gas plant, compressor station and natural gas pipeline. Total transaction costs incurred by the Company of \$0.4 million associated with this acquisition were expensed in the interim consolidated statement of income (loss) and comprehensive income (loss). The acquisition resulted in a gain of \$87.8 million as a result of the Company acquiring a deferred income tax asset as part of the acquisition of \$81.1 million.

Results from operations for Chinook are included in the Company's unaudited interim consolidated financial statements from the closing date of the transaction. The value attributed to the PP&E acquired was supported by an engineering report prepared at December 31, 2019 by independent reserve engineers using proved plus probable reserves discounted at a rate based on what a market participant would have paid as well as market metrics in the prevailing area at that time. The acquisition has been accounted for using the purchase method based on fair values as follows using discount rates based on what a market participant would have paid:

(000s)	Chinook Energy Inc.
Fair value of net assets acquired:	
Working capital (deficit)	\$ (3,472)
Property, plant and equipment	35,961
Decommissioning obligations	(4,816)
Bank debt	(5,903)
Deferred income tax asset	81,134
Gain on acquisition	(87,802)
Total	\$ 15,102
Consideration:	
Cash	\$ 15,102

Acquisitions and Dispositions of Oil and Natural Gas Properties

On April 1, 2020, the Company acquired assets in the East Edson area of the Deep Basin for cash consideration of \$35.0 million. The acquisition resulted in an increase in PP&E of approximately \$42.0 million, an increase in E&E assets of approximately \$1.6 million and the assumption of \$8.6 million in decommissioning liabilities. The assets acquired include a working interest in lands, production, reserves and a gas processing facility. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

On July 2, 2020, Topaz acquired a 12.5% working interest in a natural gas processing facility for \$100.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$100.4 million and the assumption of \$0.4 million in decommissioning liabilities. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in acquired assets being accounted for as an asset acquisition.

On August 13, 2019, the Company acquired assets in the Peace River High area for cash consideration of \$175.0 million. The acquisition resulted in an increase in PP&E of approximately \$180.8 million, an increase in E&E assets of \$8.3 million, and the assumption of \$14.1 million in decommissioning liabilities. The assets acquired were an incremental working interest to lands, production, reserves and facilities in which the Company was already a working interest owner. In connection with the early adoption of the amendment to IFRS 3, the Company applied the optional concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

In total, for the nine months ended September 30, 2020, the Company completed property acquisitions for cash consideration of \$152.6 million, including the acquisitions discussed above (December 31, 2019 - \$226.7 million) and \$0.1 million in acquisitions involving non-cash consideration (December 31, 2019 - \$8.7 million). The Company assumed \$15.8 million in decommissioning liabilities as a result of these acquisitions (December 31, 2019 - \$14.4 million).

The Company also completed property dispositions, for the nine months ended September 30, 2020, for total cash consideration of \$0.2 million (December 31, 2019 - \$8.1 million) and non-cash consideration of \$0.1 million (December 31, 2019 - nil).

6. LEASES

Right-of-Use Assets

(000s)

As at January 1, 2020	\$ 10,831
Additions	967
Depreciation	(2,511)
As at September 30, 2020	\$ 9,287

Lease Liabilities

(000s)

As at January 1, 2020	\$ 10,879
Additions	967
Lease interest expense	201
Lease payments	(2,653)
As at September 30, 2020	\$ 9,394

The Company leases office space, vehicles and IT equipment. The lease payments are discounted using the Company's incremental borrowing rate at the inception of the lease to calculate the lease liability.

7. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total inflated but undiscounted amount of cash flow required to settle its decommissioning obligations is approximately \$535.2 million (December 31, 2019 – \$479.5 million), with some abandonments expected to commence in 2034. A risk-free rate of 0.99% (December 31, 2019 – 1.76%) and an inflation rate of 0.99% (December 31, 2019 – 1.35%) were used to calculate the decommissioning obligations. The decommissioning obligations at September 30, 2020 have been adjusted by approximately \$84.8 million reflecting the change in risk free rate as well as the difference between the discounted fair value of Polar Star and Chinook's obligations acquired and the discounted value using the risk-free rate.

(000s)	As at September 30, 2020	As at December 31, 2019
Balance, beginning of period	\$ 321,863	\$ 302,750
Obligation incurred	10,762	23,393
Obligation incurred on corporate acquisitions (note 5)	7,353	14,384
Obligation incurred on property acquisitions (note 5)	15,818	–
Obligation divested	–	(1)
Obligation settled	(2,192)	(3,251)
Accretion expense	3,390	5,858
Change in future estimated cash outlays	84,776	(21,270)
Balance, end of period	\$ 441,770	\$ 321,863

8. BANK DEBT

<i>(000s)</i>	As at September 30, 2020	As at December 31, 2019
Revolving credit facility	\$ 680,503	\$ 673,963
Term debt	949,496	949,096
Topaz operating credit facility	6,986	–
Debt issue costs	(2,542)	(4,050)
Bank debt	\$ 1,634,443	\$ 1,619,009

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks, the details of which are described in note 10 of the Company's consolidated financial statements for the year ended December 31, 2019. The revolving credit facility is in the amount of \$1.8 billion with a maturity date of June 2024. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The revolving credit facility includes an expansion feature ("accordion") which allows the Company, upon approval from the lenders, to increase the facility amount by up to \$500.0 million by adding a new financial institution or by increasing the commitment of its existing lenders. The revolving credit facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate, banker's acceptance rates or LIBOR (for U.S. borrowings), plus applicable margins.

Under the terms of the revolving credit facility, Tourmaline is subject to the following covenants, on a rolling four-quarter basis: (i) the ratio of adjusted EBITDA to interest expense must exceed 3:1, and (ii) the ratio of total debt to total capitalization must not exceed 0.6:1. At September 30, 2020, adjusted EBITDA for the purposes of the above-noted covenant calculations was \$1,180.9 million (December 31, 2019 - \$1,266.5 million), on a rolling four-quarter basis. At September 30, 2020, the ratio of adjusted EBITDA to interest expense was 23:1 and the ratio of total debt to total capitalization was 0.2:1. As at, and for the quarter ending, September 30, 2020, the Company is in compliance with all debt covenants.

The Company has a \$950.0 million term loan with a syndicate of banks. The term loan can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate, banker's acceptance rates or LIBOR (for U.S. borrowings), plus 150 basis points with a maturity date of June 2024. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The covenants for the term loan are the same as those under the Company's revolving credit facility and the term loan ranks equally with the revolving credit facility.

The Company also has a covenant-based, unsecured, operating credit facility with a Canadian bank in the amount of \$50.0 million. The operating credit facility has a maturity date of June 2021, which may, at the request of the Company and with consent of the lender, be extended on an annual basis. The covenants are the same as the revolving credit facility. At September 30, 2020, and December 31, 2019, the operating credit facility was not drawn.

Additionally, the Company has a letter of credit facility payable on demand in the amount of \$50.0 million with a Canadian bank. Tourmaline has outstanding letters of credit in the amount of \$14.3 million (December 31, 2019 - \$11.6 million), which reduces the credit available on this facility.

Topaz, a subsidiary of Tourmaline, has a covenant-based, secured, operating credit facility with a Canadian bank. In May 2020, Topaz increased the operating credit facility to \$75.0 million and extended the maturity date to June 2022. In September 2020, the operating credit facility was further increased to \$125.0 million. With the exception of the changes in amount and maturity date, the operating credit facility was renewed under the same terms and conditions as those described in note 10 of the Company's consolidated financial statements for the year ended

December 31, 2019. The maturity date may, at the request of the Company and with consent of the lender, be extended on an annual basis.

The Company's aggregate borrowing capacity is \$2.975 billion at September 30, 2020.

As at September 30, 2020, the Company had \$949.0 million in long-term debt outstanding, \$678.6 million drawn against the revolving credit facility and \$6.8 million drawn on the Topaz operating credit facility for total bank debt of \$1,634.4 million (net of debt issue costs) (December 31, 2019 - \$1,619.0 million). The effective interest rate for the nine months ended September 30, 2020 was 2.23% (nine months ended September 30, 2019 – 3.25%).

9. NON-CONTROLLING INTEREST

At December 31, 2019, the Company owned 73.9% of Topaz, a royalty and infrastructure energy company.

On June 29, 2020, Topaz closed a private placement financing for net consideration of \$125.8 million (net of share issue costs of \$3.6 million) which resulted in the issuance of 11.7 million common shares representing 12.8% of the total common shares outstanding. The private placement resulted in Tourmaline reducing its ownership interest from 73.9% to 64.5% and increasing the non-controlling interest to 35.5%. The resulting carrying value of Topaz net assets in the interim condensed consolidated financial statements was \$787.6 million.

(000s)	
Carrying amount of NCI disposed (\$787.6 x 12.8%)	\$ 100,411
Consideration paid by NCI on issuance of Topaz common shares	125,825
Increase in equity attributable to shareholders of Tourmaline	\$ 25,414

On July 6, 2020, Topaz closed a private placement financing for net consideration of \$16.3 million (net of share issue costs of \$0.5 million) which resulted in the issuance of 1.5 million common shares representing 1.6% of the total common shares outstanding. The private placement resulted in Tourmaline reducing its ownership interest from 64.5% to 63.5% and increasing the non-controlling interest to 36.5%. The resulting carrying value of Topaz net assets in the interim condensed consolidated financial statements was \$803.9 million.

(000s)	
Carrying amount of NCI disposed (\$803.9 x 1.6%)	\$ 13,092
Consideration paid by NCI on issuance of Topaz common shares	16,278
Increase in equity attributable to shareholders of Tourmaline	\$ 3,186

A reconciliation of the non-controlling interest is provided below:

(000s)	As at September 30, 2020	As at December 31, 2019
Balance, beginning of period	\$ 181,571	\$ –
Share of subsidiary's net income (loss) for the period	(1,688)	416
Topaz dividends paid to NCI	(15,128)	–
Carrying amount of NCI disposed	113,503	181,155
Balance, end of period	\$ 278,258	\$ 181,571

10. SHARE CAPITAL

(a) Authorized

Unlimited number of Common Shares without par value.

Unlimited number of non-voting Preferred Shares, issuable in series.

(b) Common Shares Issued

	As at September 30, 2020		As at December 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
<i>(000s) except share amounts</i>				
Balance, beginning of period	270,997,159	\$ 5,886,977	272,042,659	\$ 5,909,664
Purchase of common shares under NCIB	(221,600)	(4,814)	(1,053,000)	(22,875)
For cash on exercise of stock options	27,120	347	7,500	148
Contributed surplus on exercise of stock options	–	79	–	40
Balance, end of period	270,802,679	\$ 5,882,589	270,997,159	\$ 5,886,977

Normal course issuer bid

On July 15, 2020, the Company renewed its normal course issuer bid (“NCIB”) with the Toronto Stock Exchange (“TSX”). The NCIB allows the Company to purchase up to 13,538,778 common shares, representing 5% of its common shares outstanding at June 30, 2020, over a period of twelve months commencing on July 20, 2020. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the nine months ended September 30, 2020, the Company purchased 221,600 common shares for cancellation at an average price of \$9.71 per share for a total of \$2.2 million. Contributed surplus was increased by \$2.6 million, representing the excess of the average carrying value of the common shares over their purchase price.

Dividends

During the three and nine months ended September 30, 2020, the Company paid cash dividends of \$0.12 and \$0.36 per common share totalling \$32.5 million and \$97.5 million, respectively compared to \$0.12 and \$0.34 per common share totalling \$32.6 million and \$92.5 million for the same period of the prior year. Additionally, during the three and nine months ended September 30, 2020, Topaz paid a cash dividend of \$0.20 and \$0.60 per common share totalling \$18.6 million and \$50.6 million of which \$11.8 million and \$35.5 million was paid to Tourmaline and the remainder was paid to outside investors.

11. EARNINGS (LOSS) PER SHARE

Basic earnings (loss)-per-share attributed to common shareholders was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss) and comprehensive income (loss) attributable to shareholders of the Company for the period <i>(000s)</i>	\$ 4,826	\$ 15,750	\$ (10,880)	\$ 258,400
Weighted average number of common shares – basic	270,781,944	271,928,811	270,832,477	272,006,958
Earnings (loss) per share – basic	\$ 0.02	\$ 0.06	\$ (0.04)	\$ 0.95

Diluted earnings (loss)-per-share attributed to common shareholders was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss) and comprehensive income (loss) attributable to shareholders of the Company for the period (000s)	\$ 4,826	\$ 15,750	\$ (10,880)	\$ 258,400
Weighted average number of common shares – diluted	271,129,740	271,928,861	270,832,477	272,055,634
Earnings (loss) per share – fully diluted	\$ 0.02	\$ 0.06	\$ (0.04)	\$ 0.95

There were 17,733,818 and 21,270,265 options excluded from the weighted-average share calculations for the three-and-nine-month periods ended September 30, 2020 because they were anti-dilutive (three and nine months ended September 30, 2019 – 21,983,234 and 18,756,334 options were anti-dilutive).

12. SHARE-BASED PAYMENTS

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 23,018,227 shares of common stock, which represents 8.5% of the current outstanding common shares. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is seven years. Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

	2020		Nine Months Ended September 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of period	19,148,068	\$ 24.94	20,452,467	\$ 32.27
Granted	3,729,900	17.02	3,720,650	13.41
Exercised	(27,120)	12.81	(7,500)	19.74
Expired	(1,201,000)	37.50	(1,862,500)	52.62
Forfeited	(379,583)	28.70	(319,883)	30.93
Stock options outstanding, end of period	21,270,265	\$ 22.79	21,983,234	\$ 27.37

The average trading price of the Company's common shares was \$13.29 during the nine months ended September 30, 2020 (nine months ended September 30, 2019 – \$17.70).

The following table summarizes stock options outstanding and exercisable at September 30, 2020:

Range of Exercise Price	Number Outstanding at Period End	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Period End	Weighted Average Exercise Price
\$9.39 - \$17.38	3,830,030	5.92	\$ 12.70	1,100,179	\$ 12.83
\$17.39 - \$22.04	4,183,400	6.50	18.02	411,179	20.13
\$22.05 - \$26.37	4,251,517	4.70	22.65	3,017,611	22.79
\$26.38 - \$26.63	5,244,568	1.98	26.40	4,423,981	26.40
\$26.64 - \$36.99	3,760,750	2.69	33.51	3,760,750	33.51
	21,270,265	4.25	\$ 22.79	12,713,700	\$ 26.27

The fair value of options granted during the nine-month period ended September 30, 2020 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	September 30,	
	2020	2019
Fair value of options granted (weighted average)	\$ 4.42	\$ 3.10
Risk-free interest rate	0.42%	1.2%
Estimated hold period prior to exercise	5 years	5 years
Expected volatility	40%	36%
Forfeiture rate	1.9%	1.8%
Dividend per share	\$ 0.48	\$ 0.48

13. COMMITMENTS

In the normal course of business, the Company is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable.

PAYMENTS DUE BY YEAR

(000s)	1 Year	2-3 Years	4-5 Years	>5 Years	Total
Operating commitments ⁽¹⁾	\$ 2,013	\$ 3,987	\$ 3,933	\$ 2,950	\$ 12,883
Firm transportation agreements	499,925	975,910	897,922	3,054,615	5,428,372
Processing commitments ⁽²⁾	25,638	36,733	28,573	174,133	265,077
Capital commitments ⁽³⁾	–	13,500	–	–	13,500
Credit facility ⁽⁴⁾	–	6,986	732,027	–	739,013
Term debt ⁽⁵⁾	19,155	38,309	963,303	–	1,020,767
	\$ 546,731	\$ 1,075,425	\$ 2,625,758	\$ 3,231,698	\$ 7,479,612

(1) Operating commitments includes variable operating costs related to the Company's office leases.

(2) Includes processing commitments and power commitments.

(3) Includes drilling commitments.

(4) Includes interest expense at an annual rate of 1.98% being the rate applicable to outstanding debt on the credit facility at September 30, 2020. Also includes the Topaz operating credit facility.

(5) Includes interest expense at an annual rate of 2.02% being the fixed rate on the term debt at September 30, 2020.

14. REVENUE

The Company sells its production pursuant to fixed and variable priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver a fixed volume of crude oil, NGLs or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue related specifically to the Company's efforts to deliver production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The sales of produced commodities are under contracts of varying terms of up to six years. Revenues are typically collected on the 25th day of the month following production.

The following table presents the Company's oil, gas and NGL sales disaggregated by revenue source:

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Natural gas				
Sales from production	\$ 371,392	\$ 158,647	\$ 1,057,941	\$ 703,724
Premium (loss) on risk management activities	(33,877)	77,842	(83,583)	255,733
	337,515	236,489	974,358	959,457
Oil				
Sales from production	31,692	43,594	89,745	126,178
Premium (loss) on risk management activities	(928)	846	(2,948)	3,001
	30,764	44,440	86,797	129,179
Condensate				
Sales from production	90,655	101,162	242,719	303,971
Premium (loss) on risk management activities	(3,375)	–	(8,557)	–
	87,280	101,162	234,162	303,971
NGL				
Sales from production	51,353	37,236	122,237	124,145
Marketing revenue ⁽¹⁾	10,305	9,533	38,269	22,288
Total				
Commodity sales from production	545,092	340,639	1,512,642	1,258,018
Premium (loss) on risk management activities	(38,180)	78,688	(95,088)	258,734
Marketing revenue	10,305	9,533	38,269	22,288
Revenue from contracts with customers	\$ 517,217	\$ 428,860	\$ 1,455,823	\$ 1,539,040

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and nine months ended September 30, 2020, the Company had marketing purchases from third parties of \$9.7 million and \$37.5 million, respectively (three months and nine months ended September 30, 2019 - \$8.6 million and \$20.6 million, respectively).

15. SUBSEQUENT EVENTS

On October 26, 2020, Topaz completed its initial public offering consisting of a treasury offering by Topaz of 16,731,000 Topaz common shares and a secondary offering by Tourmaline of 1,000,000 Topaz common shares at a price of \$13.00 per share for gross proceeds to Topaz of approximately \$217.5 million and to Tourmaline of \$13.0 million.

On November 2, 2020, Tourmaline acquired all the issued and outstanding shares of Modern Resources Inc. ("Modern") for total consideration of approximately \$144.0 million comprised of \$73.75 million in cash and 1.5 million Tourmaline common shares, and the assumption of net debt of approximately \$44.0 million.

On November 4, 2020, Tourmaline entered into a definitive agreement to acquire all the issued and outstanding shares of Jupiter Resources Inc. ("Jupiter") for total consideration of approximately \$626.0 million, comprised of 24.2 million Tourmaline common shares, and the assumption of net debt of approximately \$200.0 million, inclusive of transaction costs. The transaction is expected to close on December 16, 2020 and is subject to customary regulatory approvals.

On November 4, 2020, Tourmaline entered into a definitive agreement with Topaz to sell a gross overriding royalty on both the Modern and Jupiter lands effective January 1, 2021 for \$130.0 million, subject to the completion of the Jupiter acquisition.