

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, December 31,	
<i>(000s) (unaudited)</i>	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 149,657	\$ –
Accounts receivable	205,494	259,863
Prepaid expenses and deposits	18,140	13,102
Fair value of financial instruments <i>(note 3)</i>	61,920	12,128
Total current assets	435,211	285,093
Long-term asset	4,447	4,819
Fair value of financial instruments <i>(note 3)</i>	13,876	3,021
Exploration and evaluation assets <i>(note 4)</i>	556,371	621,656
Property, plant and equipment <i>(note 5)</i>	10,220,061	10,255,190
Right-of-use asset <i>(note 6)</i>	9,417	10,831
Total Assets	\$11,239,383	\$ 11,180,610
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 289,846	\$ 412,343
Lease liabilities <i>(note 6)</i>	2,153	2,724
Fair value of financial instruments <i>(note 3)</i>	31,042	23,013
Total current liabilities	323,041	438,080
Bank debt <i>(note 8)</i>	1,772,205	1,619,009
Lease liabilities <i>(note 6)</i>	7,335	8,155
Fair value of financial instruments <i>(note 3)</i>	49,053	25,571
Decommissioning obligations <i>(note 7)</i>	433,728	321,863
Deferred taxes	645,132	801,343
Shareholders' equity:		
Share capital <i>(note 10)</i>	5,882,163	5,886,977
Non-controlling interest <i>(note 9)</i>	273,050	181,571
Contributed surplus	298,349	287,410
Retained earnings	1,555,327	1,610,631
Total shareholders' equity	8,008,889	7,966,589
Total Liabilities and Shareholders' Equity	\$11,239,383	\$ 11,180,610

Commitments (note 13).

Subsequent events (notes 3, 10 and 15).

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s) except per-share amounts (unaudited)	2020	2019	2020	2019
Revenue:				
Commodity sales from production (note 14)	\$ 441,901	\$ 339,362	\$ 967,550	\$ 917,379
Premium (loss) on risk management activities (note 14)	(33,066)	91,869	(56,908)	180,046
Marketing revenue (note 14)	4,837	10,207	27,964	12,755
Royalties	(11,375)	(16,194)	(28,304)	(47,817)
Other income	6,265	9,309	14,878	16,651
Realized gain on financial instruments	34,718	12,128	57,826	10,235
Unrealized gain (loss) on financial instruments (note 3)	(100,776)	39,713	29,136	(23,720)
Total revenue	342,504	486,394	1,012,142	1,065,529
Expenses:				
Operating	83,308	88,463	166,714	180,628
Transportation	125,345	93,635	247,531	194,224
Marketing purchases	6,291	9,318	27,810	12,046
General and administration	17,099	12,609	33,368	24,756
Share-based payments (note 12)	2,455	3,688	4,887	7,353
Depletion, depreciation, amortization and impairment (notes 4, 5 and 6)	208,772	202,053	712,298	430,849
Realized foreign exchange (gain) loss	(26,483)	3,213	(29,874)	5,589
Unrealized foreign exchange (gain) loss	313	869	(1,063)	2,393
(Gain) on acquisitions and divestitures	(87,802)	(4,475)	(122,006)	(6,064)
Total expenses	329,298	409,373	1,039,665	851,774
Income (loss) from operations	13,206	77,021	(27,523)	213,755
Finance expenses	13,310	14,212	29,225	28,475
Income (loss) before taxes	(104)	62,809	(56,748)	185,280
Deferred tax expense (recovery)	(19,917)	(92,097)	(40,427)	(57,301)
Net income (loss) and comprehensive income (loss) before non-controlling interest	19,813	154,906	(16,321)	242,581
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	20,106	154,940	(15,706)	242,650
Non-controlling interest (note 9)	(293)	(34)	(615)	(69)
	\$ 19,813	\$ 154,906	\$ (16,321)	\$ 242,581
Net income (loss) per share attributable to common shareholders (note 11)				
Basic	\$ 0.07	\$ 0.57	\$ (0.06)	\$ 0.89
Diluted	\$ 0.07	\$ 0.57	\$ (0.06)	\$ 0.89

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 (<i>note 9</i>)	–	–	27,199	101,393	128,592
Share issue costs, net of tax on issuance of Topaz common shares (<i>note 9</i>)	–	–	(1,785)	(982)	(2,767)
Share-based payments	–	4,887	–	–	4,887
Capitalized share-based payments	–	3,391	–	–	3,391
Purchase of common shares under NCIB (<i>note 10</i>)	(4,814)	2,661	–	–	(2,153)
Dividends paid (<i>note 10</i>)	–	–	(65,012)	(8,317)	(73,329)
(Loss) attributable to common shareholders	–	–	(15,706)	–	(15,706)
(Loss) attributable to non-controlling interest	–	–	–	(615)	(615)
Balance at June 30, 2020	\$ 5,882,163	\$ 298,349	\$1,555,327	\$ 273,050	\$ 8,008,889

<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	–	7,353	–	–	7,353
Capitalized share-based payments	–	5,734	–	–	5,734
Options exercised (<i>notes 10 and 12</i>)	188	(40)	–	–	148
Dividends paid (<i>note 10</i>)	–	–	(59,850)	–	(59,850)
Income attributable to common shareholders	–	–	242,650	–	242,650
(Loss) attributable to non-controlling interest	–	–	–	(69)	(69)
Balance at June 30, 2019	\$ 5,909,852	\$ 266,102	\$1,563,393	\$ 27,999	\$ 7,767,346

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(000s) (unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operations:				
Net income (loss)	\$ 20,106	\$ 154,940	\$ (15,706)	\$ 242,650
Items not involving cash:				
Depletion, depreciation, amortization and impairment	208,772	202,053	712,298	430,849
Accretion (note 7)	1,100	1,402	2,136	2,747
Lease interest expense (note 6)	73	68	112	119
Share-based payments (note 12)	2,455	3,688	4,887	7,353
Deferred tax expense (recovery)	(19,917)	(92,097)	(40,427)	(57,301)
Unrealized (gain) loss on financial instruments (note 3)	100,776	(39,713)	(29,136)	23,720
(Gain) on acquisitions and divestitures (note 5)	(87,802)	(4,475)	(122,006)	(6,064)
Amortization on long-term asset	186	186	372	374
Non-controlling interest (note 9)	(293)	(34)	(615)	(69)
Unrealized foreign exchange (gain) loss	313	869	(1,063)	2,393
Decommissioning expenditures (note 7)	(592)	(429)	(1,957)	(1,071)
Changes in non-cash operating working capital	(59,320)	71,824	(1,080)	35,702
Total cash flow from operating activities	165,857	298,282	507,815	681,402
Financing:				
Issue of common shares	–	–	–	148
Purchase of common shares under NCIB (note 10)	–	–	(2,153)	–
Issuance of Topaz common shares to NCI (note 9)	124,980	–	124,980	–
Lease payments (note 6)	(680)	(1,309)	(1,976)	(2,477)
Dividends paid (note 10)	(36,663)	(32,646)	(73,329)	(59,850)
Increase in bank debt	196,571	91,727	147,935	83,375
Total cash flow from financing activities	284,208	57,772	195,457	21,196
Investing:				
Exploration and evaluation (note 4)	(1,385)	(9,791)	(3,669)	(24,070)
Property, plant and equipment (note 5)	(102,508)	(187,990)	(415,053)	(559,735)
Property acquisitions (note 5)	(36,139)	(473)	(39,159)	(596)
Proceeds from divestitures (note 5)	–	75	235	1,838
Corporate acquisitions (note 5)	(15,102)	–	(27,072)	–
Changes in non-cash investing working capital	(145,274)	(157,875)	(68,897)	(120,035)
Total cash flow used in investing activities	(300,408)	(356,054)	(553,615)	(702,598)
Changes in cash	149,657	–	149,657	–
Cash, beginning of period	–	–	–	–
Cash, end of period	\$ 149,657	\$ –	\$ 149,657	\$ –

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 JUNE 30, 2020 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 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 July 29, 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 64.5% 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.

Key sources of estimation uncertainty:

Since December 31, 2019, the outbreak of the COVID-19 pandemic has had a significantly negative impact on global economic conditions. 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 June 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), statement of financial position, or 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 June 30, 2020, the Company has \$149.7 million in cash and \$1.1 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 June 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 currently believes it has sufficient liquidity through cash flow to execute the remainder of the 2020 capital budget but will continue 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 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 June 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 June 30, 2020 ⁽¹⁾:

		2020	2021	2022	2023	Fair Value (000s)
Gas						
AECO swaps ⁽²⁾	<i>mmbtu/d</i>	14,230	8,102	–	–	\$ (552)
	<i>CAD\$/mmbtu</i>	\$ 1.92	\$ 2.20			
NYMEX swaps	<i>mmbtu/d</i>	123,560	60,000	–	–	\$ 14,440
	<i>USD\$/mmbtu</i>	\$ 2.30	\$ 2.67			
PGE swaps	<i>mmbtu/d</i>	10,000	–	–	–	\$ 2,252
	<i>USD\$/mmbtu</i>	\$ 3.56				
Basis differentials – other	<i>mmbtu/d</i>	41,685	37,500	37,500	37,500	\$ (21,954)
	<i>USD\$/mmbtu</i>	\$ 0.43	\$ 0.29	\$ 0.29	\$ 0.29	
Call options (writer) ⁽³⁾	<i>mmbtu/d</i>	66,336	29,932	–	–	\$ (2,665)
	<i>USD\$/mmbtu</i>	\$ 3.28	\$ 3.42			
Oil						
Financial swaps	<i>bbls/d</i>	11,500	4,250	–	–	\$ 48,842
	<i>USD\$/bbl</i>	\$ 47.68	\$ 52.26			
Financial collars	<i>bbls/d</i>	1,000	250	–	–	\$ 3,593
	<i>USD\$/bbl</i>	\$ 52.50 - 65.48	\$ 33.75 - 40.00			
Financial swaption	<i>bbls/d</i>	–	5,000	–	–	\$ (15,488)
	<i>USD\$/bbl</i>		\$ 39.46			
Condensate differentials	<i>bbls/d</i>	500	–	–	–	\$ (266)
	<i>USD\$/bbl</i>	\$ (6.00)				
Total fair value						\$ 28,202

(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 June 30, 2020.

Type of Contract	Quantity	Time Period	Contract Price
NYMEX swaps	10,000 mmbtu/d	August 2020 – October 2020	USD \$1.986/mmbtu
NYMEX swaps	40,000 mmbtu/d	November 2020	USD \$2.36/mmbtu average
NYMEX swaps	20,000 mmbtu/d	December 2020	USD \$2.78/mmbtu average

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	\$ (32,501)

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

The Company has not entered into any interest rate derivative contracts subsequent to June 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 three and six months ended June 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 six months ended June 30, 2020 and 2019:

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Unrealized gain (loss) on financial instruments – commodity contracts	\$ (92,080)	\$ 38,730	\$ 67,123	\$ (23,765)
Unrealized (loss) on financial instruments – interest rate swaps	(4,237)	(5,806)	(35,243)	(18,624)
Unrealized gain (loss) on financial instruments – foreign currency	(4,459)	6,789	(2,744)	18,669
Total unrealized gain (loss) on financial instruments	\$ (100,776)	\$ 39,713	\$ 29,136	\$ (23,720)

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 June 30, 2020 ⁽¹⁾⁽⁵⁾:

		2020	2021	2022	2023	2024
Gas						
Fixed price ⁽²⁾	<i>mcf/d</i>	185,297	92,951	12,068	2,068	1,243
	<i>CAD\$/mcf</i>	\$ 2.47	\$ 2.69	\$ 4.31	\$ 3.39	\$ 3.39
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>	36,163	29,478	20,000	16,658	–
	<i>CAD\$/mcf</i>	\$ 0.09	\$ 0.21	\$ 0.15	\$ 0.22	
Basis differentials – Other ⁽⁴⁾	<i>mcf/d</i>	20,000	35,000	35,000	35,842	52,500
	<i>CAD\$/mcf</i>	\$ 0.27	\$ 0.06	\$ 0.06	\$ 0.00	\$ (0.07)
Oil						
Basis differentials	<i>bbls/d</i>	9,913	1,307	–	–	–
	<i>USD\$/bbl</i>	\$ (7.84)	\$ (2.30)			

(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, 84.2 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 into 2020; 5,000 mmbtu/d priced off Chicago GDD less transportation costs that extends to 2023; 20,000 mmbtu/d that starts 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 June 30, 2020:

Type of Contract	Quantity	Time Period	Contract Price
Oil basis differential	5,000 M ³ /month	January 2021 – June 2021	USD \$(2.50)/bbl
Gas fixed price	10,000 GJ/d	November 2020 – March 2021	CAD \$2.48/GJ

4. EXPLORATION AND EVALUATION ASSETS

(000s)

As at December 31, 2019	\$ 621,656
Capital expenditures	3,669
Transfers to property, plant and equipment (note 5)	(33,282)
Acquisitions	1,705
Divestitures	(127)
Expired mineral leases	(37,250)
As at June 30, 2020	\$ 556,371

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 June 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	418,444
Transfers from exploration and evaluation (note 4)	33,282
Change in decommissioning liabilities (note 7)	89,050
Property acquisitions	52,864
Corporate acquisitions	44,627
Divestitures	(235)
As at June 30, 2020	\$ 15,723,775

Accumulated Depletion, Depreciation, Amortization and Impairment

(000s)

As at December 31, 2019	\$ 4,830,553
Depletion, depreciation and amortization	423,161
Impairment expense	250,000
As at June 30, 2020	\$ 5,503,714

Net Book Value

(000s)

As at December 31, 2019	\$ 10,255,190
As at June 30, 2020	\$ 10,220,061

Future development costs of \$8,022.2 million were included in the depletion calculation at June 30, 2020 (December 31, 2019 – \$7,404.4 million).

Capitalization of G&A and Share-Based Payments

A total of \$15.7 million in G&A expenditures have been capitalized and included in PP&E for the six months ended June 30, 2020 (December 31, 2019 – \$29.5 million). Also included in PP&E are non-cash share-based

payments of \$3.4 million (December 31, 2019 - \$10.6 million). No borrowing costs have been capitalized and included in PP&E at June 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. At June 30, 2020, the Company did not identify indicators of impairment on any of its CGUs and therefore, an 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, discounted at pre-tax rates ranging between 9-12%, and internally valued 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, 2019 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:

<i>(000s)</i>	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 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 three months ended June 30, 2020, the Company completed property acquisitions for cash consideration of \$39.2 million (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 \$15.3 million in decommissioning liabilities as a result of these acquisitions (December 31, 2019 - \$14.4 million).

The Company also completed property dispositions, for the six months ended June 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	473
Depreciation	(1,887)
As at June 30, 2020	\$ 9,417

Lease Liabilities

(000s)

As at January 1, 2020	\$ 10,879
Additions	473
Lease interest expense	112
Lease payments	(1,976)
As at June 30, 2020	\$ 9,488

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 \$550.1 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 June 30, 2020 have been adjusted by approximately \$82.3 million reflecting the change in risk free rate and 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 June 30, 2020	As at December 31, 2019
Balance, beginning of period	\$ 321,863	\$ 302,750
Obligation incurred	6,778	23,393
Obligation incurred on corporate acquisitions (note 5)	7,353	14,384
Obligation incurred on property acquisitions (note 5)	15,283	–
Obligation divested	–	(1)
Obligation settled	(1,957)	(3,251)
Accretion expense	2,136	5,858
Change in future estimated cash outlays	82,272	(21,270)
Balance, end of period	\$ 433,728	\$ 321,863

8. BANK DEBT

<i>(000s)</i>	As at June 30, 2020	As at December 31, 2019
Revolving credit facility	\$ 825,000	\$ 673,963
Term debt	950,000	949,096
Debt issue costs	(2,795)	(4,050)
Bank debt	\$ 1,772,205	\$ 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 June 30, 2020, adjusted EBITDA for the purposes of the above-noted covenant calculations was \$1,131.8 million (December 31, 2019 - \$1,266.5 million), on a rolling four-quarter basis. At June 30, 2020, the ratio of adjusted EBITDA to interest expense was 18:1 and the ratio of total debt to total capitalization was 0.2:1. As at, and for the quarter ending, June 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 June 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 \$13.8 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 April 2020, Topaz increased the operating credit facility to \$75.0 million and extended the maturity date to June 2022. With the exception of the change 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. At June 30, 2020, and December 31, 2019, the operating credit facility was not drawn.

The Company's aggregate borrowing capacity is \$2.925 billion at June 30, 2020.

As at June 30, 2020, the Company had \$948.9 million in long-term debt outstanding and \$823.3 million drawn against the revolving credit facility for total bank debt of \$1,772.2 million (net of debt issue costs) (December 31, 2019 - \$1,619.0 million). The effective interest rate for the six months ended June 30, 2020 was 2.52% (six months ended June 30, 2019 – 3.30%).

9. NON-CONTROLLING INTEREST

At December 31, 2019, the Company owned 73.9% of Topaz, a hybrid 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

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

(000s)	As at June 30, 2020	As at December 31, 2019
Balance, beginning of period	\$ 181,571	\$ –
Share of subsidiary's net income (loss) for the period	(615)	416
Topaz dividends paid to NCI	(8,317)	–
Carrying amount of NCI disposed	100,411	181,155
Balance, end of period	\$ 273,050	\$ 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

(000s) except share amounts	As at June 30, 2020		As at December 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
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	–	–	7,500	148
Contributed surplus on exercise of stock options	–	–	–	40
Balance, end of period	270,775,559	\$ 5,882,163	270,997,159	\$ 5,886,977

Normal course issuer bid

On July 4, 2019, the Toronto Stock Exchange (“TSX”) accepted the notice of the Company’s intention to commence a normal course issuer bid (“NCIB”). The NCIB allows the Company to purchase up to 13,602,507 common shares, representing 5% of its common shares outstanding at June 30, 2019, over a period of twelve months commencing on July 8, 2019. 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 six-months ended June 30, 2020, the Company purchased 0.2 million shares for cancellation at an average price of \$9.71 per common 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.

On July 15, 2020, the Company renewed its NCIB with the TSX allowing up to 13,538,778 common shares, representing 5% of the common shares outstanding at June 30, 2020, to be purchased over a twelve-month period commencing on July 20, 2020.

Dividends

During the three and six months ended June 30, 2020, the Company paid cash dividends of \$0.12 and \$0.24 per common share totalling \$32.5 million and \$65.0 million, respectively compared to \$0.12 and \$0.22 per common share totalling \$32.6 million and \$59.9 million for the same period of the prior year. Additionally, during the three and six months ended June 30, 2020, Topaz paid a cash dividend of \$0.20 and \$0.40 per common share totalling \$16.0 million and \$32.0 million of which \$11.8 million and \$23.7 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 June 30		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss) and comprehensive income (loss) attributable to shareholders of the Company for the period (000s)	\$ 20,106	\$ 154,940	\$ (15,706)	\$ 242,650
Weighted average number of common shares – basic	270,775,559	272,050,159	270,858,022	272,046,678
Earnings (loss) per share – basic	\$ 0.07	\$ 0.57	\$ (0.06)	\$ 0.89

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

	Three Months Ended June 30		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss) and comprehensive income (loss) attributable to shareholders of the Company for the period (000s)	\$ 20,106	\$ 154,940	\$ (15,706)	\$ 242,650
Weighted average number of common shares – diluted	270,781,052	272,050,159	270,858,022	272,046,678
Earnings (loss) per share – fully diluted	\$ 0.07	\$ 0.57	\$ (0.06)	\$ 0.89

There were 18,214,234 and 18,360,734 options excluded from the weighted-average share calculations for the three-and-six-month periods ended June 30, 2020 because they were anti-dilutive (three and six months ended June 30, 2019 – 19,607,334 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 23,015,922 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.

	Six Months Ended June 30,			
	2020		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	263,500	11.28	450,250	18.81
Exercised	–	–	(7,500)	19.74
Expired	(776,000)	39.30	(1,155,000)	52.53
Forfeited	(274,834)	28.65	(132,883)	27.97
Stock options outstanding, end of period	18,360,734	\$ 24.08	19,607,334	\$ 30.80

The average trading price of the Company's common shares was \$12.31 during the six months ended June 30, 2020 (six months ended June 30, 2019 – \$19.22).

The following table summarizes stock options outstanding and exercisable at June 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 - \$16.32	3,654,150	6.17	\$ 12.55	19,751	\$ 16.03
\$16.33 - \$22.27	4,068,250	5.14	21.48	1,442,469	21.46
\$22.28 - \$26.40	3,928,934	1.53	25.81	3,479,544	26.02
\$26.41 - \$31.55	3,265,700	3.88	27.11	2,442,447	27.34
\$31.56 - \$36.99	3,443,700	2.69	34.54	3,443,700	34.54
	18,360,734	3.89	\$ 24.08	10,827,911	\$ 28.40

The fair value of options granted during the six-month period ended June 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:

	June 30,	
	2020	2019
Fair value of options granted (weighted average)	\$ 2.51	\$ 4.95
Risk-free interest rate	0.7%	1.7%
Estimated hold period prior to exercise	5 years	5 years
Expected volatility	38%	35%
Forfeiture rate	1.9%	1.8%
Dividend per share	\$ 0.48	\$ 0.41

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⁾	\$ 1,948	\$ 3,996	\$ 3,933	\$ 3,442	\$ 13,319
Firm transportation agreements	497,178	966,792	900,052	3,150,625	5,514,647
Processing commitments ⁽²⁾	19,085	34,873	28,603	177,535	260,096
Capital commitments ⁽³⁾	–	18,000	–	–	18,000
Credit facility ⁽⁴⁾	–	–	893,118	–	893,118
Term debt ⁽⁵⁾	18,735	37,471	967,696	–	1,023,902
	\$ 536,946	\$ 1,061,132	\$ 2,793,402	\$ 3,331,602	\$ 7,723,082

(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 1.97% being the rate applicable to outstanding debt on the credit facility at June 30, 2020.

(5) Includes interest expense at an annual rate of 2.02% being the fixed rate on the term debt at June 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Natural gas				
Sales from production	\$ 340,075	\$ 166,450	\$ 686,549	\$ 545,077
Premium (loss) on risk management activities	(29,418)	90,168	(49,706)	177,891
	310,657	256,618	636,843	722,968
Oil				
Sales from production	21,357	42,398	58,053	82,584
Premium (loss) on risk management activities	(1,755)	1,701	(2,020)	2,155
	19,602	44,099	56,033	84,739
Condensate				
Sales from production	45,586	106,328	152,064	202,809
Premium (loss) on risk management activities	(1,893)	–	(5,182)	–
	43,693	106,328	146,882	202,809
NGL				
Sales from production	34,883	24,186	70,884	86,909
Marketing revenue ⁽¹⁾				
	4,387	10,207	27,964	12,755
Total				
Commodity sales from production	441,901	339,362	967,550	917,379
Premium (loss) on risk management activities	(33,066)	91,869	(56,908)	180,046
Marketing revenue	4,837	10,207	27,964	12,755
Revenue from contracts with customers	\$ 413,672	\$ 441,438	\$ 938,606	\$ 1,110,180

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and six months ended June 30, 2020, the Company had marketing purchases from third parties of \$6.3 million and \$27.8 million, respectively (three months and six months ended June 30, 2019 - \$9.3 million and \$12.0 million, respectively).

15. SUBSEQUENT EVENTS

On July 2, 2020, Topaz, completed an additional infrastructure acquisition with an arms length third party. The purchase price was \$100.0 million, before customary closing adjustments.