



MANAGEMENT'S DISCUSSION AND ANALYSIS AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2020 and for the three and six months ended June 30, 2020 and 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline's unaudited interim condensed consolidated financial statements and related notes as at and for the three and six months ended June 30, 2020 and the consolidated financial statements for the year ended December 31, 2019. The consolidated financial statements and the MD&A can be found at www.sedar.com. This MD&A is dated July 29, 2020.

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board ("IASB").

All dollar amounts are expressed in Canadian currency, unless otherwise noted.

Certain financial measures referred to in this MD&A are not prescribed by IFRS. See "Non-GAAP Financial Measures" for information regarding the following non-GAAP financial measures used in this MD&A: "cash flow", "operating netback", "adjusted working capital" and "net debt".

Additional information relating to Tourmaline can be found at www.sedar.com or at www.tourmalineoil.com.

Forward-Looking Statements - Certain information regarding Tourmaline set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such statements represent Tourmaline's internal projections, forecasts, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment or expenditures, anticipated future debt, expenses, production, cash flow and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Tourmaline believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social risks, uncertainties and contingencies.

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues and cash flow from, crude oil, condensate, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, condensate, NGL and natural gas properties; crude oil, condensate, NGL and natural gas production levels and product mix; the payment of dividends and the timing and amount thereof; Tourmaline's future operating and financial results; capital investment programs; supply and demand for crude oil, condensate, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; future land expiries; dispositions and joint venture arrangements; amount of operating, transportation and general

and administrative expenses; treatment under governmental regulatory regimes and tax and environmental laws and regulations; and estimated tax pool balances. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including the impact of general economic conditions; volatility and uncertainty in market prices for crude oil, condensate, NGL and natural gas; industry conditions; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil, condensate, NGL and natural gas operations; environmental, political, social and regulatory risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management and skilled labour; changes in income tax and environmental laws and regulations and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, any of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; the receipt of applicable regulatory or third-party approvals; risks of war, hostilities, civil insurrection and pandemics (including the COVID-19 pandemic); the effects and impacts of the COVID-19 pandemic as further described herein and supply conflicts among the Organization of Petroleum Exporting Countries and other oil producing countries over production restrictions which impact crude oil prices, resulting in increased global supply, the extent and duration of which are uncertain at this time, on Tourmaline's business, general economic and business conditions and markets; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available at www.sedar.com and under "Business Risks and Uncertainties" in this MD&A.

With respect to forward-looking statements contained in this MD&A, Tourmaline has made assumptions regarding: prevailing and future commodity prices and royalty regimes and tax laws; future well production rates and reserve volumes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; future operating costs; decommissioning obligations; and ability to market crude oil, condensate, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, cash flow, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tourmaline to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide readers with a more complete perspective on Tourmaline's future operations and such information may not be appropriate for other purposes. Tourmaline's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking

statements will transpire or occur, or if any of them do so, what benefits, if any, that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

These forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

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

OPERATING ENVIRONMENT AND THE COVID-19 PANDEMIC

Since December 31, 2019, the outbreak of the COVID-19 pandemic has had a significantly negative impact on global economic conditions. This has resulted in very volatile crude oil, liquids and natural gas prices throughout the period and overall increased economic uncertainty.

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 is 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 in compliance with all of its covenants under its credit facilities and has sufficient room under those covenants to allow for further deterioration of commodity prices or 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 its 2020 capital budget but will continue to monitor and adjust as necessary.

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 believes that its receivables at June 30, 2020 are substantially collectible.

In response to the COVID-19 pandemic, the Company is following all applicable rules and regulations as set out by the relevant health authorities and has implemented many health and safety protocols into its operations.

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the COVID-19 pandemic, the Company is unable at this time to predict its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material. See "Business Risks and Uncertainties" in this MD&A for additional

information regarding certain risks relating to COVID-19 which Tourmaline and its business and operations are subject to.

PRODUCTION

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Natural gas (<i>mcf/d</i>)	1,425,199	1,371,325	4%	1,449,940	1,405,081	3%
Oil (<i>bbl/d</i>)	8,487	6,882	23%	8,654	7,122	22%
Condensate (<i>bbl/d</i>)	19,485	16,513	18%	19,267	16,792	15%
NGL (<i>bbl/d</i>)	33,864	28,598	18%	34,282	28,861	19%
Oil equivalent (<i>boe/d</i>)	299,369	280,547	7%	303,860	286,955	6%
Production in (sold from) storage (<i>boe/d</i>)	3,974	3,000	32%	1,174	1,508	(22)%
Total produced volumes (<i>boe/d</i>)	303,343	283,547	7%	305,034	288,463	6%
Natural gas %	79%	81%		80%	82%	

Production for the three months ended June 30, 2020 averaged 299,369 boe/d, a 7% increase over the average production for the same quarter of 2019 of 280,547 boe/d. For the six months ended June 30, 2020, production increased 6% to 303,860 boe/d from 286,955 boe/d for the same period of 2019.

The production increase for the three and six months ended June 30, 2020 is a result of the Company's successful exploration and production program combined with corporate and property acquisitions completed in the first half of 2020. The significant growth in condensate and NGL production reflects the continued development of the Gundy area, including the commissioning of the Company's Gundy deep-cut gas processing facility in June 2019 and the Company's consolidation activities in Northeast BC ("NEBC"). The significant increase in oil production for the three and six months ended June 30, 2020 is the result of Tourmaline acquiring assets in August 2019 in the Peace River High in which the Company was already a working-interest owner.

In addition to the production discussed above, for the three and six months ended June 30, 2020, the Company injected an incremental 3,974 boe/d, and 1,174 boe/d of natural gas production into storage facilities resulting in total average produced volumes of 303,343 boe/d and 305,034 boe/d, respectively. For the three and six months ended June 30, 2019, the Company injected an incremental 3,000 boe/d, and 1,508 boe/d of natural gas production into storage facilities resulting in total average produced volumes of 283,547 boe/d and 288,463 boe/d, respectively. The Company has storage capacity at both Dawn and PG&E Citygate. The storage capacity allows for the opportunity to inject in periods of lower commodity prices (typically summer months) and subsequently withdraw in periods of higher prices (typically winter months). In 2020, the Company increased its total storage capacity to 4.0 Bcf from 2.0 Bcf in 2019.

Full-year average production guidance for 2020 is 305,000-310,000 boe/d, based on an annual capital budget of \$800.0 million for 2020.

REVENUE AND REALIZED GAINS (LOSSES)

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Natural gas						
Sales from production	\$ 340,075	\$ 166,450	104%	\$ 686,549	\$ 545,077	26%
Premium (loss) on risk management activities	(29,418)	90,168	(133)%	(49,706)	177,891	(128)%
Realized gain on financial instruments	2,126	1,838	16%	4,174	74	5,541%
	312,783	258,456	21%	641,017	723,042	(11)%
Oil						
Sales from production	21,357	42,398	(50)%	58,053	82,584	(30)%
Premium (loss) on risk management activities	(1,755)	1,701	(203)%	(2,020)	2,155	(194)%
Realized gain on financial instruments	32,714	10,769	204%	54,154	10,640	409%
	52,316	54,868	(5)%	110,187	95,379	16%
Condensate						
Sales from production	45,586	106,328	(57)%	152,064	202,809	(25)%
(Loss) on risk management activities	(1,893)	–	(100)%	(5,182)	–	(100)%
Realized (loss) on financial instruments	(122)	(479)	(75)%	(502)	(479)	5%
	43,571	105,849	(59)%	146,380	202,330	(28)%
NGL						
Sales from production	34,883	24,186	44%	70,884	86,909	(18)%
Total						
Sales from production	441,901	339,362	30%	967,550	917,379	5%
Premium (loss) on risk management activities	(33,066)	91,869	(136)%	(56,908)	180,046	(132)%
Realized gain on financial instruments	34,718	12,128	186%	57,826	10,235	465%
Total revenue from commodity sales, premium (loss) on risk management activities, and realized gain (loss) on financial instruments	\$ 443,553	\$ 443,359	–%	\$ 968,468	\$ 1,107,660	(13)%

Total sales from production for the three months ended June 30, 2020 increased 30% to \$441.9 million from \$339.4 million for the same quarter of 2019. Total sales from production for the six months ended June 30, 2020 increased 5% from \$917.4 million in 2019 to \$967.6 million in 2020. The increase for both periods can be attributed to higher AECO and Station 2 benchmark natural gas prices and increased sales volumes which were partially offset by lower oil, condensate and NGL benchmark prices. Revenue includes all petroleum, natural gas and NGL sales and the realized gain on risk management activities.

The three and six months ended June 30, 2020 included a loss on risk management activities of \$33.1 million and \$56.9 million compared to a premium of \$91.9 million and \$180.0 million for the same periods of the prior year. Included in the premium (loss) on risk management activities are the premiums that Tourmaline receives from selling gas to markets outside Alberta and British Columbia and the premium received on physical commodity contract prices compared to benchmark pricing. Tourmaline has significantly diversified the markets where its natural gas is sold including Malin, PG&E City Gate, Chicago, and Dawn, all of which have typically had higher natural gas prices as compared to AECO. For the three and six months ended June 30, 2020, AECO prices on average were higher than the prices received (after transportation) at the other hubs where Tourmaline sells its natural gas, resulting in a loss on risk management activities as well as a loss on the Company's physical hedges compared to gains for the same periods of the prior year.

Total revenue from commodity sales and the premium (loss) on risk management activities and gain (loss) on financial instruments excludes the effect of unrealized gains (losses) on commodity contracts until these gains or losses are realized.

BENCHMARK OIL AND GAS PRICES:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Natural gas						
NYMEX Last Day (USD\$/mcf)	\$ 1.72	\$ 2.64	(35)%	\$ 1.83	\$ 2.89	(37)%
AECO 5A (CAD\$/mcf)	\$ 2.00	\$ 1.04	92%	\$ 2.02	\$ 1.84	10%
West Coast Station 2 (CAD\$/mcf)	\$ 1.98	\$ 0.61	225%	\$ 1.88	\$ 0.91	107%
Sumas (USD\$/mmbtu)	\$ 1.53	\$ 1.81	(15)%	\$ 1.70	\$ 7.93	(79)%
ATP 5A Day Ahead (CAD\$/mcf)	\$ 2.03	\$ 1.24	64%	\$ 1.88	\$ 1.96	(4)%
Chicago City Gate (USD\$/mmbtu)	\$ 1.63	\$ 2.31	(29)%	\$ 1.69	\$ 2.70	(37)%
Ventura (USD\$/mmbtu)	\$ 1.58	\$ 2.20	(28)%	\$ 1.65	\$ 2.66	(38)%
PG&E Malin (USD\$/mmbtu)	\$ 1.52	\$ 1.88	(19)%	\$ 1.68	\$ 3.30	(49)%
PG&E City Gate (USD\$/mmbtu)	\$ 2.41	\$ 2.99	(19)%	\$ 2.56	\$ 4.04	(37)%
Dawn (USD\$/mmbtu)	\$ 1.63	\$ 2.34	(30)%	\$ 1.69	\$ 2.63	(36)%
Oil and condensate						
NYMEX (USD\$/bbl)	\$ 28.00	\$ 59.91	(53)%	\$ 36.82	\$ 57.41	(36)%
Edmonton Par (CAD\$/bbl)	\$ 30.24	\$ 72.52	(58)%	\$ 40.89	\$ 69.70	(41)%
Edmonton Condensate (CAD\$/bbl)	\$ 31.74	\$ 73.85	(57)%	\$ 45.55	\$ 71.28	(36)%

CURRENCY – EXCHANGE RATES:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
CAD\$/USD\$ ⁽¹⁾	\$ 0.7220	\$ 0.7475	(3)%	\$ 0.7335	\$ 0.7498	(2)%

(1) Average rates for the period.

TOURMALINE REALIZED PRICES:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Natural gas (\$/mcf)	\$ 2.41	\$ 2.07	16%	\$ 2.43	\$ 2.84	(14)%
Oil (\$/bbl)	\$ 67.74	\$ 87.61	(23)%	\$ 69.96	\$ 73.99	(5)%
Condensate (\$/bbl)	\$ 24.57	\$ 70.44	(65)%	\$ 41.74	\$ 66.57	(37)%
NGL (\$/bbl)	\$ 11.32	\$ 9.29	22%	\$ 11.36	\$ 16.64	(32)%
Oil equivalent (\$/boe)	\$ 16.28	\$ 17.37	(6)%	\$ 17.51	\$ 21.33	(18)%

(1) Realized prices include sales from production, premium (loss) on risk management activities and realized gain (loss) on financial instruments.

The realized average natural gas price for the three months ended June 30, 2020 increased by 16% to \$2.41/mcf from \$2.07/mcf in the same period of the prior year. The increase is the result of significantly higher Canadian natural gas benchmark prices, including AECO and Station 2, compared to the same period of the prior year.

For the six months ended June 30, 2020, the realized average natural gas price was \$2.43/mcf, which is 14% lower than the same period of the prior year. The decrease reflects lower benchmark prices across all the US sales hubs where the Company sells natural gas. These decreases relative to the AECO benchmark price created a loss on risk management activities for the six months ended June 30, 2020.

Realized oil prices decreased by 23% and 5% for the three and six months ended June 30, 2020, respectively, compared to the same periods of the prior year. The decrease reflects the lower benchmark oil price for both periods partially offset by realized gains on financial instruments. The realized oil price for the six months ended June 30, 2020 also reflects a \$21.4 million realized gain on financial instruments related to unwinding a portion of the Company's financial oil contracts early in the year to take advantage of the significant gain that had been realized.

For the three and six months ended June 30, 2020, the realized price of condensate was \$24.57/bbl and \$41.74/bbl, which is 65% and 37%, respectively, lower than the same periods of the prior year. The decrease is consistent with the decline in benchmark prices experienced during the first half of 2020.

The realized NGL price for the three months ended June 30, 2020 increased by 22% compared to the same period of the prior year, reflecting higher ethane and propane prices. For the six months ended June 30, 2020 the realized NGL price decreased by 32% compared to the same period of the prior year due to lower propane, butane and pentane prices, which is consistent with the decline in oil and condensate benchmark prices.

ROYALTIES

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Natural gas	\$ 2,938	\$ (1,436)	\$ 3,615	\$ 12,387
Oil, condensate and NGL	8,437	17,630	24,689	35,430
Total royalties	\$ 11,375	\$ 16,194	\$ 28,304	\$ 47,817
Royalties as a percentage of commodity sales from production	2.6%	4.8%	2.9%	5.2%

For the three and six months ended June 30, 2020, the average effective royalty rate was 2.6% and 2.9% compared to 4.8% and 5.2%, respectively, for the same periods of the prior year. The rate decrease is generally attributable to the lower oil and condensate benchmark prices.

Natural gas royalties of \$3.6 million for the six months ended June 30, 2020, included crown royalties of \$29.5 million offset by credits of \$25.9 million. For the six months ended June 30, 2019, natural gas royalties of \$12.4 million included crown royalties of \$59.8 million offset by credits of \$47.4 million. Included in the credits received for the three and six months ended June 30, 2020 and 2019 was Gas Cost Allowance (“GCA”) which is provided from the Crown, to account for expenses incurred to process and transport the Crown’s portion of natural gas production. Also offsetting natural gas crown royalties are credits for the New Well Royalty Reduction Program and the Natural Gas Deep Drilling Program in Alberta, as well as the Deep Royalty Credit Program in British Columbia.

The Company expects its royalty rate for 2020 to be 4-5%. The royalty rate is sensitive to commodity prices and, as such, an increase in commodity prices will increase the actual rate.

COMMODITY MARKETING

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Marketing revenue	\$ 4,837	\$ 10,207	(53)%	\$ 27,964	\$ 12,755	119%
Marketing purchases	(6,291)	(9,318)	(32)%	(27,810)	(12,046)	131%
	\$ (1,454)	\$ 889	(264)%	\$ 154	\$ 709	(78)%

The Company operates a marketing terminal in the Gordondale area of Alberta. The throughput from the marketing terminal is comprised of Tourmaline produced oil, condensate and NGL volumes as well as oil, condensate and NGL volumes purchased from third parties.

Marketing revenue and marketing purchases represent the volume sold and purchased from third parties which is recorded gross for financial statement presentation purposes. Any gains or losses on the sale of third-party product related to the price differential are recorded in marketing revenue.

For the three months ended June 30, 2020, marketing revenue and marketing purchases decreased by 53% and 32%, respectively, compared to the three months ended June 30, 2019. This decrease reflects the decline in the oil benchmark price in the second quarter of 2020 lowering the price on volumes purchased and sold.

For the six months ended June 30, 2020, marketing revenue and marketing purchases increased by 119% and 131%, respectively, compared to the three and six months ended June 30, 2019. This increase can be attributed to a significant increase in third-party volume purchased and sold in the first half of 2020 compared to the same period of the prior year.

OTHER INCOME

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Other income	\$ 6,265	\$ 9,309	(33)%	\$ 14,878	\$ 16,651	(11)%

Other income for the three and six months ended June 30, 2020 was \$6.3 million and \$14.9 million compared to \$9.3 million and \$16.7 million, respectively, for the same periods of the prior year. The 2019 balances were higher as they reflect a one-time business interruption insurance payment received.

OPERATING EXPENSES

(000s) except per unit amounts	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Operating expenses	\$ 83,308	\$ 88,463	(6)%	\$ 166,714	\$ 180,628	(8)%
Per boe	\$ 3.06	\$ 3.47	(12)%	\$ 3.01	\$ 3.48	(14)%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the second quarter of 2020, total operating expenses were \$83.3 million compared to \$88.5 million in 2019, a decrease of 6% over a production base increase of 7% for the same period. Operating costs for the six months ended June 30, 2020 were \$166.7 million compared to \$180.6 million for the same period of 2019, reflecting an 8% decrease in total costs over a 6% increase in production. Operating expenses in both periods reflect the Company's continuous improvement of operational efficiencies.

On a per-boe basis, the costs decreased from \$3.47/boe for the second quarter of 2019 to \$3.06/boe in the second quarter of 2020. For the six months ended June 30, 2020, operating costs were \$3.01/boe, down from \$3.48/boe for the first six months of 2019. The decrease in per-boe costs for both periods is related to lower processing and gathering fees as the commissioning of the Gundy deep-cut gas processing facility resulted in less production volume processed at third-party facilities.

The Company's operating costs for 2020 are now forecast to average approximately \$3.20/boe which has been lowered from \$3.30/boe disclosed in the Company's March 31, 2020 MD&A. This has been lowered from original guidance to reflect the significantly lower operating costs incurred in the first half of 2020 due to operational efficiencies as well as some expenditure relief which has been provided by both the Alberta and British Columbia Provincial Governments as it relates to the COVID-19 pandemic. The Company has been actively monitoring all announcements to determine its eligibility for any relief through this highly volatile and challenging period.

TRANSPORTATION

<i>(000s) except per unit amounts</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Natural gas transportation	\$ 100,402	\$ 72,031	39%	\$ 202,406	\$ 150,522	34%
Oil and NGL transportation	24,943	21,604	15%	45,125	43,702	3%
Total transportation	\$ 125,345	\$ 93,635	34%	\$ 247,531	\$ 194,224	27%
Per boe	\$ 4.60	\$ 3.67	25%	\$ 4.48	\$ 3.74	20%

For the second quarter of 2020, total transportation expenses were \$125.3 million compared to \$93.6 million in the second quarter of 2019. For the six months ended June 30, 2020, transportation expenses were \$247.5 million, compared to \$194.2 million for the same period of 2019. Both periods reflect increased costs related to higher production volumes as well as increased volumes going to diversified sales points.

On a per-boe basis, the transportation costs increased from \$3.67/boe for the second quarter of 2019 to \$4.60/boe in the second quarter of 2020. For the six months ended June 30, 2020, the per-boe transportation costs increased from \$3.74/boe in the prior year to \$4.48/boe. The increase in per-unit costs in 2020 reflects the increased focus on diversifying markets where Tourmaline sells its natural gas. In the fourth quarter of 2019, Tourmaline added an additional 100 mmcf/d of transportation capacity to access the Malin and PG&E markets. The increased volume transported to Malin and PG&E in the first half of 2020 compared to the first half of 2019 resulted in higher per-boe fuel and transportation costs.

GENERAL & ADMINISTRATIVE EXPENSES (“G&A”)

<i>(000s) except per unit amounts</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
G&A expenses	\$ 25,934	\$ 21,730	19%	\$ 50,742	\$ 43,678	16%
Administrative and capital recovery	(1,038)	(1,678)	(38)%	(1,669)	(4,154)	(60)%
Capitalized G&A	(7,797)	(7,443)	(5)%	(15,705)	(14,768)	(6)%
Total G&A expenses	\$ 17,099	\$ 12,609	36%	\$ 33,368	\$ 24,756	35%
Per boe	\$ 0.63	\$ 0.49	29%	\$ 0.60	\$ 0.48	25%

Total G&A expenses in the second quarter of 2020 were \$17.1 million compared to \$12.6 million for the same quarter of 2019. For the six-month period ended June 30, 2020, G&A expenses were \$33.4 million compared to \$24.8 million for the same period of 2019. The increase is primarily due to staff additions needed to manage the larger production, reserve and land base as well as incremental costs related to corporate and property acquisitions along with higher third-party service provider fees and increased industry marketing initiatives. The decrease in administrative and capital recoveries is related to the acquisition of assets in the Peace River High area in August 2019, which resulted in a consolidation of Tourmaline’s working interest and overall lower recoveries from partners.

G&A expenses for 2020 are expected to average approximately \$0.60/boe, which is a small increase over the guidance of \$0.55/boe as disclosed in the Company's March 31, 2020 MD&A. The increase reflects increased costs associated with Topaz Energy Corp. ("Topaz") and corporate acquisitions completed in 2020, as well as the lower forecast production for 2020 when compared to the original guidance. Actual costs per boe can change, however, depending on a number of factors including the Company's actual production levels.

SHARE-BASED PAYMENTS

<i>(000s) except per unit amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Share-based payments	\$ 4,154	\$ 6,549	\$ 8,278	\$ 13,087
Capitalized share-based payments	(1,699)	(2,861)	(3,391)	(5,734)
Total share-based payments	\$ 2,455	\$ 3,688	\$ 4,887	\$ 7,353
Per boe	\$ 0.09	\$ 0.14	\$ 0.09	\$ 0.14

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the second quarter of 2020, 159,500 stock options were granted at a weighted-average exercise price of \$11.01 per option.

The Company recognized \$2.5 million and \$4.9 million of share-based payments expense for the three and six months ended June 30, 2020 compared to \$3.7 million and \$7.4 million in the same periods of the prior year. Capitalized share-based payments for the three and six months ended June 30, 2020 were \$1.7 million and \$3.4 million compared to \$2.9 million and \$5.7 million, respectively, for the same periods of the prior year.

Share-based payments are lower in 2020 compared to the same period of 2019, which reflects options with a lower fair value being expensed in 2020 compared to 2019.

DEPLETION, DEPRECIATION, AMORTIZATION, AND IMPAIRMENT

<i>(000s) except per unit amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total depletion, depreciation, amortization and impairment	\$ 208,772	\$ 202,053	\$ 712,298	\$ 430,849
Less mineral lease expiries	(2,833)	(4,959)	(37,250)	(32,824)
Less impairment expense	—	—	(250,000)	—
Depletion, depreciation and amortization ("DD&A")	\$ 205,939	\$ 197,094	\$ 425,048	\$ 398,025
Per boe	\$ 7.56	\$ 7.72	\$ 7.69	\$ 7.66

DD&A expense, excluding mineral lease expiries and impairment expense, was \$205.9 million for the second quarter of 2020 compared to \$197.1 million for the same period of 2019. For the six-month period ended June 30, 2020, DD&A expense (excluding mineral lease expiries and impairment expense) was \$425.0 million compared to \$398.0 million for the same period of 2019. The increase in DD&A expense in 2020 over 2019 is primarily due to higher production volumes.

The per-unit DD&A rate (excluding the impact of mineral lease expiries and impairment) of \$7.56/boe for the second quarter of 2020 decreased compared to the rate of \$7.72/boe for the same quarter of 2019 primarily due to the increase in production in NEBC, which has the lowest depletion rate compared to the Company's other Cash generating Units ("CGU"). For the six-month period ended June 30, 2020, the per-unit DD&A rate (excluding the impact of mineral lease expiries and impairment) was consistent with the rate for the same period of 2019.

Mineral lease expiries for the three months ended June 30, 2020 were \$2.8 million, compared to expiries in the same quarter of the prior year of \$5.0 million. For the six months ended June 30, 2020, expiries were \$37.3 million compared to \$32.8 million for the same period of 2019. The expired leases amount to approximately 2.5% of Tourmaline's total land base.

The Company prioritizes drilling on what it believes to be the most cost-efficient and productive acreage, and, with such a large land base, the Company has chosen not to continue some of the expiring sections of land. The Company explores all alternatives (including swaps, farm-outs, joint ventures and dispositions) to realize the value from these sections before they expire.

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.

Impairment expense of \$250.0 million was recorded on the Company's Spirit River CGU for the three months ended March 31, 2020. The impairment was a result of the significant 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.

FINANCE EXPENSES

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Interest expense	\$ 10,075	\$ 14,643	(31)%	\$ 25,091	\$ 29,433	(15)%
Capitalized borrowing costs	–	(1,671)	100%	–	(3,026)	100%
Accretion expense	1,100	1,402	(22)%	2,136	2,747	22%
Lease interest expense	73	68	7%	112	119	(6)%
Foreign exchange (gain) loss on U.S. denominated debt	(72,966)	(26,293)	178%	(21,941)	(40,170)	(45)%
Realized (gain) loss on cross-currency swaps	72,966	26,293	178%	21,941	40,170	45%
Realized (gain) loss on interest rate swaps	1,712	(230)	(844)%	1,336	(798)	(267)%
Transaction costs on corporate acquisitions	350	–	100%	550	–	100%
Total finance expenses	\$ 13,310	\$ 14,212	(6)%	\$ 29,225	\$ 28,475	3%

Finance expenses for the three months ended June 30, 2020 totaled \$13.3 million compared to \$14.2 million for the same period of 2019. The average bank debt outstanding and the average effective interest rate on the debt

was \$1,795.3 million and 1.93% for the three months ended June 30, 2020 compared to \$1,596.0 million and 3.24% for the same period of 2019, respectively.

For the six months ended June 30, 2020, finance expenses totaled \$29.2 million compared to \$28.5 million for the same period of 2019. The average bank debt outstanding and the average effective interest rate on the debt for the six months ended June 30, 2020 was \$1,734.4 million and 2.52% compared to \$1,595.8 million and 3.30% for the same period of 2019, respectively.

Interest expense decreased for the three and six months ended June 30, 2020 due to the decrease in the effective interest rate compared to the same periods of 2019, but was partially offset by the increase in average bank debt outstanding. The decrease in the effective interest rate reflects a decrease in the Bank of Canada prime rate over the same period. In the first half of 2019, the Company recorded capitalized borrowing costs related to long-term capital projects which lowered finance expenses for the three and six months ended June 30, 2019. No borrowing costs related to long-term capital projects were capitalized for the three and six months ended June 30, 2020.

For the three-and-six-month periods ended June 30, 2020, the Company drew from the credit facility in U.S. dollars, as permitted under the credit facility which, when repaid, created a foreign exchange gain due to the strengthening of the Canadian dollar. Concurrent with the draw of U.S. dollar denominated borrowings, the Company enters into cross-currency swaps to manage the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between CDOR and LIBOR without taking on foreign exchange risk.

DEFERRED INCOME TAXES (RECOVERY)

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Deferred income taxes (recovery)	\$ (19,917)	\$ (92,097)	(78)%	\$ (40,427)	\$ (57,301)	(29)%

For the three and six months ended June 30, 2020, the provision for deferred income tax recovery was \$19.9 million and \$40.4 million compared to deferred income tax recovery of \$92.1 million and \$57.3 million for the same period of 2019. The deferred income tax recovery for the three and six months ended June 30, 2019 was impacted by the Government of Alberta reducing the corporate tax rate from 12% to 8% by 2022 which was enacted as at June 30, 2019 with an effective date of July 1, 2019. The effect of the tax rate change resulted in a deferred income tax recovery of \$108.9 million in the second quarter of 2019. The deferred income tax recovery for the three and six months ended June 30, 2020 is primarily due to the Company having a net loss before taxes of \$0.1 million and \$56.7 million, respectively. The net loss included gains on acquisitions of \$87.8 million and \$122.0 million which are not taxable resulting in higher losses during the periods for tax purposes.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS (LOSS)

(000s) except per unit amounts	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Cash flow from operating activities	\$ 165,857	\$ 298,282	(44)%	\$ 507,815	\$ 681,402	(25)%
Per share ⁽¹⁾	\$ 0.61	\$ 1.10	(45)%	\$ 1.87	\$ 2.50	(25)%
Cash flow ⁽²⁾	\$ 225,177	\$ 226,458	(1)%	\$ 508,895	\$ 645,700	(21)%
Per share ⁽¹⁾⁽²⁾	\$ 0.83	\$ 0.83	—%	\$ 1.88	\$ 2.37	(21)%
Net earnings (loss)	\$ 20,106	\$ 154,940	(87)%	\$ (15,706)	\$ 242,650	(106)%
Per share ⁽¹⁾	\$ 0.07	\$ 0.57	(88)%	\$ (0.06)	\$ 0.89	(107)%
Operating netback per boe ⁽²⁾	\$ 8.20	\$ 9.60	(15)%	\$ 9.51	\$ 13.19	28%

(1) Per share amounts have been calculated using the weighted average number of diluted common shares except the net earnings (loss) per share amounts in periods which Tourmaline has reported a net loss. In these periods, the weighted average number of basic common shares has been used as there is an anti-dilutive impact on per-share calculations.

(2) See "Non-GAAP Financial Measures".

Cash flow for the three months ended June 30, 2020 was \$225.2 million or \$0.83 per diluted share compared to \$226.5 million or \$0.83 per diluted share for the same period of 2019. Cash flow for the six months ended June 30, 2020 was \$508.9 million or \$1.88 per diluted share compared to \$645.7 million or \$2.37 per diluted share for the same period of 2019. The decrease in cash flow for the first half of 2020 reflects significantly lower realized prices partially offset by an increase in production over the same period of 2019 and a \$26.1 million realized gain from unwinding the Company's foreign currency derivative contracts.

The Company had after-tax net earnings for the three months ended June 30, 2020 of \$20.1 million or \$0.07 per share compared to after-tax net earnings of \$154.9 million or \$0.57 per diluted share for the same period of 2019 which included the \$108.9 million deferred income tax recovery due to the change in tax rates in 2019. For the six-month period ended June 30, 2020, after-tax net loss was \$15.7 million or \$0.06 per share compared to after-tax net earnings of \$242.7 million or \$0.89 per diluted share for the first half of 2019. The decrease in after-tax net earnings reflects the \$250.0 million in Property, Plant & Equipment ("PP&E") impairment expense taken in the first quarter of 2020. There was no PP&E impairment expense for the same period of the prior year.

CAPITAL EXPENDITURES

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Land and seismic	\$ 1,842	\$ 1,298	\$ 5,119	\$ 3,065
Drilling and completions	70,499	114,085	281,158	347,803
Facilities	23,250	72,931	115,499	214,412
Property acquisitions	36,139	473	39,159	596
Property dispositions	—	(75)	(235)	(1,838)
Other	8,302	9,467	16,946	18,525
Total cash capital expenditures	\$ 140,032	\$ 198,179	\$ 457,646	\$ 582,563

During the second quarter of 2020, the Company invested \$140.0 million of cash consideration, net of dispositions, compared to \$198.2 million for the same period of 2019. Expenditures on exploration and production were \$95.6 million for the second quarter of 2020 compared to \$188.3 million for the same quarter of 2019. During the six-month period ended June 30, 2020, the Company invested \$457.6 million of cash consideration, net of dispositions, compared to \$582.6 million for the same period of 2019.

The following table summarizes the drill, complete and tie-in activities for the periods:

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Gross	Net	Gross	Net
Drilled	75	70.95	112	107.9
Completed	106	105.15	88	81.25
Tied-in	81	80.15	109	95.26

Exploration and production capital expenditures in 2020 are forecast to be \$800.0 million which was reduced in the March 31, 2020 MD&A by \$125.0 million from the guidance in the December 31, 2019 MD&A. The decrease in budgeted capital expenditures is in response to the extremely volatile, and in some cases, significant declines in commodity prices as well as the impact of COVID-19 on the overall economy. The Company expects drilling and completions costs of approximately \$610.0 million, facilities expenditures (including equipment, pipelines and tie-ins) of \$185.0 million as well as land and seismic expenditures of \$5.0 million. The capital budget is closely monitored and will continue to be adjusted as required, depending on cash flow available.

Corporate Acquisitions

On February 14, 2020, the Company acquired all of the issued and outstanding shares of Polar Star Canadian Oil and Gas Inc. ("Polar Star") for total cash consideration of \$12.0 million, including the assumption of working capital. 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 an increase in PP&E of approximately \$8.7 million, assumed working capital of \$5.6 million, a deferred income tax asset of \$33.8 million along with a gain on acquisition of \$34.2 million, primarily related to the deferred tax asset. The acquisition of Polar Star is part of the Company's consolidation activities in the core NEBC area and provides for an increase in developed lands and production, and includes a compressor station.

On April 21, 2020, the Company acquired all of the issued and outstanding shares of Chinook Energy Inc. ("Chinook") for total cash consideration of \$15.1 million, including the assumption of working capital. 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 an increase in PP&E of approximately \$36.0 million, assumed working capital deficit of \$3.5 million, bank debt of \$5.9 million, decommissioning obligations of \$4.8 million, a deferred income tax asset of \$81.1 million along with a gain on acquisition of \$87.8 million, primarily related to the deferred income tax asset. 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.

Acquisitions and Dispositions

2020

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, E&E 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. In addition, the Company committed to drilling eight wells in the area by April 1, 2022. The Company applied the optional concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

2019

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 Exploration and Evaluation (“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.

LIQUIDITY AND CAPITAL RESOURCES

Bank debt

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 and in note 8 of the Company’s unaudited interim condensed financial statements for the three and six months ended June 30, 2020. 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.

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, 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 at June 30, 2020 (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, the operating credit facility was not drawn.

The Company's aggregate borrowing capacity is \$2.925 billion at June 30, 2020. As at, and for the quarter ending June 30, 2020, the Company is in compliance with all debt covenants.

Working capital and net debt

As at June 30, 2020, the Company had an adjusted working capital of \$82.4 million, after adjusting for the fair value of financial instruments, lease liabilities and unrealized foreign exchange in working capital (the unadjusted working capital was \$112.2 million) (December 31, 2019 – working capital deficiency \$136.7 million and \$153.0 million, respectively). 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). Net debt at June 30, 2020 was \$1,689.8 million, excluding the fair value of financial instruments, lease liabilities and unrealized foreign exchange in working capital (deficit) (December 31, 2019 - \$1,755.7 million).

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 221,600 common shares for cancellation at an average price of \$9.71 per share. 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.

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.

Non-controlling interest and common control transactions

At December 31, 2018, Tourmaline owned 90.6% of Exshaw Oil Corp. (“Exshaw”), a private company engaged in oil and gas exploration in Canada.

In October 2019, the Company acquired the remaining 9.4% interest in Exshaw for cash consideration of \$15.0 million.

On November 8, 2019, Exshaw was renamed Topaz Energy Corp. (“Topaz”) and on November 14, 2019, pursuant to the terms of the purchase and sales agreement, between Topaz and the Company, Topaz acquired from Tourmaline: (i) a newly-created gross overriding royalty interest on all of Tourmaline’s lands as at the date of the transaction; (ii) a 45% working interest in two natural gas processing plants; and (iii) contracted interests in a portion of certain third-party revenues generated by natural gas processing and handling agreements.

On November 14, 2019, Topaz closed a private placement financing for total cash consideration of \$203.5 million (net of share issue costs of \$6.5 million) which resulted in Tourmaline reducing its ownership interest from 100% to 73.9% creating a 26.1% non-controlling interest.

On June 29, 2020, Topaz closed a private placement financing for total 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% at June 30, 2020.

The net proceeds from the June 29, 2020, Topaz private placement reduced Tourmaline’s net debt by \$125.8 million.

Dividends

During the three and six months ended June 30, 2020, the Company paid a cash dividend 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 periods 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.

Capital management

For the remainder of 2020, management intends to continue to diligently monitor, and will continue to adjust, the capital budget based on expected cash flow and, as such, management believes the Company has sufficient resources to fund its 2020 exploration and development program. Management is dedicated to keeping a strong balance sheet, which has proven to be very important, especially in times of volatile commodity prices. Management’s approach to capital management is further described in note 5(d) of the annual consolidated financial statements.

SHARES AND STOCK OPTIONS OUTSTANDING

As at July 29, 2020, the Company has 270,775,559 common shares and 18,202,734 stock options outstanding.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results of operations, liquidity or capital expenditures.

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 discussed in note 5 of the Company's audited 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, interest rate risk and foreign exchange 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 contracts to be effective economic hedges. Such financial derivative contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain (loss) on the consolidated statement of income

and comprehensive income. The contracts that the Company has in place at June 30, 2020 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019.

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 consolidated financial statements. Physical contracts in place at June 30, 2020 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Company's use of estimates and judgments in preparing the interim condensed consolidated financial statements are discussed in note 1 of the consolidated financial statements for the year ended December 31, 2019.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), as defined by National Instrument 52-109, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the Company's DC&P or ICFR during the period beginning on April 1, 2020 and ending on June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

The Company uses the guidelines as set in the Committee of Sponsoring Organizations of the Treadway Commission 2013 Internal Control-Integrated Framework.

BUSINESS RISKS AND UNCERTAINTIES

Tourmaline monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Tourmaline maintains a level of liability, property and business interruption insurance which is believed to be adequate for Tourmaline's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

See "Forward-Looking Statements" in this MD&A and "Risk Factors" in Tourmaline's most recent annual information form for additional information regarding the risks to which Tourmaline and its business and operations are subject.

In addition, and without limitation of the foregoing, Tourmaline is also exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which has had a negative impact on global financial conditions and could have a material and adverse effect on Tourmaline's business, financial condition and results of operations. Tourmaline cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with Tourmaline, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for oil and gas. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Tourmaline's operations and service providers, and ability to advance its projects or carry out its ongoing business plan, could be adversely affected. In particular, should any employees or consultants of Tourmaline become infected with COVID-19 or similar pathogens, it could have a material negative impact on Tourmaline's operations, prospects, business, financial condition and results of operations. In addition, government efforts to curtail the spread of COVID-19 may result in temporary or long-term suspensions, shut-downs or disruptions of Tourmaline's production, facilities or operations, impact Tourmaline's suppliers, customers, counterparties, partners and affect Tourmaline's supply chain. Such suspensions, shut-downs or disruptions may have a material and adverse effect on Tourmaline's business, financial condition and results of operations. Tourmaline is continually monitoring all recommendations from applicable government agencies and public health authorities to ensure the continued safe operation of its business operations and has implemented steps to ensure the ongoing health of its workforce, including enacting work-at-home plans across the organization, limited business travel and large group meetings, providing on-going employee support and providing additional measures to critical business processes to ensure business continuity. However, such measures and related government mandates may not be effective, and one or more of our employees, consultants or service providers may get sick and may come to work infected, necessitating a short or long-term closure of the affected sites or facilities, disrupting business and/or internal controls. Oil and gas production limitations, curtailments or stoppages, social distancing measures and other impediments affecting Tourmaline's suppliers, customers, counterparties or partners or its facilities, should they materialize, may make it difficult, more costly, or impossible for Tourmaline to conduct portions of its business. Limitations on the function of regulatory authorities as a result of remote work of its employees or redeployment of its resources to addressing the pandemic may delay our communications with the

regulatory authorities and delay renewal of permits or the receipt of additional approvals required for our operations, should any such approvals be sought. If macroeconomic conditions continue to worsen in Canada and around the world, demand for oil and gas and other products may significantly decline and industry participants, including our suppliers, customers, counterparties or partners may face severe financial hardship. In addition, the increased market volatility resulting from global business and economic disruption related to the pandemic and measures to contain it has made it more difficult for companies to access capital markets. Any of the foregoing may adversely affect our business, financial position and results of operations.

IMPACT OF ENVIRONMENTAL REGULATIONS

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells, there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law which may make the operation of the Company's business more expensive or prevent the Company from operating its business as currently conducted. Tourmaline focuses on conducting transparent, safe and responsible operations.

NON-GAAP FINANCIAL MEASURES

This MD&A, or documents referred to in this MD&A, make reference to the terms "cash flow", "operating netback", "adjusted working capital" and "net debt" which are not recognized measures under GAAP, and do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly-defined measures presented by other companies. Management uses the terms "cash flow", "operating netback", "adjusted working capital" and "net debt", for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-GAAP measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of the Company's performance.

Cash Flow

A summary of the reconciliation of cash flow from operating activities (per the statements of cash flow), to cash flow, is set forth below:

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Cash flow from operating activities (per GAAP)	\$ 165,857	\$ 298,282	\$ 507,815	\$ 681,402
Change in non-cash working capital	59,320	(71,824)	1,080	(35,702)
Cash flow	\$ 225,177	\$ 226,458	\$ 508,895	\$ 645,700

Operating Netback

Operating netback is calculated on a per-boe basis and is defined as revenue from commodity sales and premiums (losses) on risk management activities and realized gains (losses) on financial instruments less royalties, transportation costs and operating expenses, as shown below:

(\$/boe)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue, excluding processing income	\$ 16.28	\$ 17.37	\$ 17.51	\$ 21.33
Royalties	(0.42)	(0.63)	(0.51)	(0.92)
Transportation costs	(4.60)	(3.67)	(4.48)	(3.74)
Operating expenses	(3.06)	(3.47)	(3.01)	(3.48)
Operating netback	\$ 8.20	\$ 9.60	\$ 9.51	\$ 13.19

Adjusted Working Capital

A summary of the reconciliation of working capital to adjusted working capital is set forth below:

(000s)	As at June 30, 2020	As at December 31, 2019
	Working capital (deficit)	\$ 112,170
Fair value of financial instruments – short-term (asset) liability	(30,878)	10,885
Lease liabilities – short-term	2,153	2,724
Unrealized foreign exchange in working capital - (asset) liability	(1,063)	2,703
Adjusted working capital (deficit)	\$ 82,382	\$ (136,675)

Net Debt

A summary of the reconciliation of net debt is set forth below:

(000s)	As at June 30, 2020	As at December 31, 2019
	Bank debt	\$ (1,772,205)
Adjusted working capital (deficit)	82,382	(136,675)
Net debt	\$ (1,689,823)	\$(1,755,684)

SELECTED QUARTERLY INFORMATION

(\$000s, unless otherwise noted)	2020				2019		2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
PRODUCTION								
Natural gas (mcf)	129,693,070	134,195,958	132,456,603	129,027,017	124,790,550	129,529,098	123,995,544	115,321,116
Oil, condensate and NGL (bbls)	5,627,083	5,693,802	5,509,543	5,136,598	4,731,375	4,820,850	4,778,286	4,164,796
Oil equivalent (boe)	27,242,595	28,059,795	27,585,644	26,641,101	25,529,800	26,409,060	25,444,210	23,384,982
Natural gas (mcf/d)	1,425,199	1,474,681	1,439,746	1,402,468	1,371,325	1,439,212	1,347,778	1,253,490
Oil, condensate and NGL (bbls/d)	61,836	62,569	59,886	55,833	51,993	53,565	51,938	45,270
Oil equivalent (boe/d)	299,369	308,349	299,844	289,578	280,547	293,434	276,568	254,185
FINANCIAL								
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	443,553	524,915	579,588	440,089	443,359	664,301	595,487	496,711
Cash flow from operating activities	165,857	341,958	287,729	205,798	298,282	383,120	329,997	314,191
Per diluted share	0.61	1.26	1.06	0.76	1.10	1.41	1.21	1.15
Cash flow ⁽¹⁾	225,177	283,718	335,856	223,984	226,458	419,242	391,532	287,421
Per diluted share	0.83	1.05	1.24	0.82	0.83	1.54	1.44	1.06
Net earnings (loss)	20,106	(35,812)	61,340	15,750	154,940	87,710	190,895	55,296
Per basic share	0.07	(0.13)	0.23	0.06	0.57	0.32	0.70	0.20
Per diluted share	0.07	(0.13)	0.23	0.06	0.57	0.32	0.70	0.20
Total assets	11,239,383	11,106,254	11,180,610	11,043,666	10,836,576	10,924,480	10,732,457	10,429,505
Working capital (deficit)	112,170	(165,667)	(152,987)	(149,467)	(159,480)	(272,500)	(228,403)	(411,687)
Adjusted working capital (deficit) ⁽¹⁾	82,382	(268,397)	(136,675)	(151,884)	(160,101)	(245,285)	(242,043)	(341,960)
Cash capital expenditures	140,032	317,614	320,389	384,307	198,179	384,384	395,194	409,919
Dividends paid	36,663	36,666	32,525	32,620	32,646	27,204	27,304	27,103
Total outstanding shares (000s)	270,776	270,776	270,997	271,827	272,050	272,050	272,043	272,043
PER UNIT								
Natural gas (\$/mcf)	2.41	2.45	2.77	1.89	2.07	3.59	3.13	2.54
Oil and NGL (\$/bbl)	23.24	34.54	38.59	38.24	39.08	41.43	43.40	48.91
Revenue (\$/boe)	16.28	18.71	21.01	16.52	17.37	25.15	23.40	21.24
Operating netback (\$/boe) ⁽¹⁾	8.20	10.79	13.00	9.10	9.60	16.65	15.82	13.15

(1) See "Non-GAAP Financial Measures".

The oil and gas exploration and production industry is cyclical. The Company's financial position, results of operations and cash flows are principally impacted by production levels and commodity prices, particularly natural gas prices.

On an annual basis, the Company has had continued production growth over the last two years. The Company's average annual production has increased from 265,044 boe per day in 2018 to 290,865 per day in 2019 and 303,860 boe per day in the first six months of 2020. The production growth can be attributed primarily to the Company's exploration and development activities, and from acquisitions of producing properties.

The Company's cash flow was \$1,303.5 million in 2018, \$1,205.5 in 2019 and forecast 2020 cash flow is \$1,050.0 million. The decrease in cash flows from 2018 to 2019, as well as the lower forecast cash flow in 2020, reflects the significant decrease in commodity prices over the periods. Commodity price fluctuations can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenue and cash flow available for exploration, and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flow generated from operations and access to capital markets.