



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

As at March 31, 2020 and for the three months ended March 31, 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 months ended March 31, 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 May 6, 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 COVID-19); the effects and impacts of the COVID-19 pandemic as further described herein and the oil price war between Russia and Saudi Arabia, the extent and duration of which are uncertain at this time, on Tourmaline's business and 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 economic conditions around the world. This has included a large decrease in oil demand which, combined with other macro-economic conditions, has resulted in significantly lower oil and liquids prices and increased economic uncertainty. Natural gas prices have also been very volatile throughout the period but, in recent months, the forward curve for both AECO and NYMEX has been strengthening which has helped to offset some of the impact of the significant decrease in oil and liquids prices. As a result, the Company has updated its forecast for 2020 including a reduction in the capital budget of \$125.0 million down to \$800.0 million and lowering expected cash flow for the year to \$1.0 billion.

During this period of uncertainty, the Company is committed to maintaining its strong balance sheet and financial liquidity. At March 31, 2020, the Company has \$1.3 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 March 31, 2020, the Company was not in breach of any covenants and has room under those covenants to allow for a further deterioration of commodity prices or an increase in future borrowings to navigate through these uncertain times, if required. The Company has been actively monitoring all Government announcements to determine its eligibility for any relief that is being provided through this highly volatile and challenging period. The Company currently believes it has sufficient liquidity through cash flow to execute the remainder of the updated 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 March 31, 2020 are substantially collectible.

In response to the COVID-19 pandemic, the Company is following all rules and regulations as set out by the relevant health authorities and has implemented many health and safety protocols into its operations. These new protocols include a daily COVID-19 screening assessment for any onsite field worker, adjusting work schedules to reduce the number of people on site and encouraging office staff to work remotely through technology, in an effort to protect and reduce the risk to employees and contractors. Tourmaline and its staff have been able to adapt to the new work environment without significant disruptions at any operated facility or in day-to-day operations.

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 March 31,		
	2020	2019	Change
Natural gas (<i>mcf/d</i>)	1,474,681	1,439,212	2%
Oil (<i>bb/d</i>)	8,822	7,363	20%
Condensate (<i>bb/d</i>)	19,048	17,075	12%
NGL (<i>bb/d</i>)	34,699	29,127	19%
Oil equivalent (<i>boe/d</i>)	308,349	293,434	5%
Production in (sold from) storage (<i>boe/d</i>)	(1,700)	–	(100)%
Total produced volumes (<i>boe/d</i>)	306,649	293,434	5%
Natural gas %	80%	82%	

Production for the three months ended March 31, 2020 averaged 308,349 boe/d, a 5% increase over the average production for the same quarter of 2019 of 293,434 boe/d.

The production increase for the three months ended March 31, 2020 is a result of the Company's successful exploration and production program. 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. The significant increase in oil production for the three months ended March 31, 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 quarter ended March 31, 2020, the Company withdrew and sold an incremental 1,700 boe/d of natural gas from storage facilities. 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 has now been reduced to 305,000-310,000 boe/d from the 315,000 – 320,000 boe/d range originally disclosed, reflecting the lower anticipated capital budget for the remainder of 2020.

REVENUE AND REALIZED GAINS (LOSSES)

	Three Months Ended March 31,		
(000s)	2020	2019	Change
Natural gas			
Sales from production	\$ 346,474	\$ 378,627	(8)%
Premium (loss) on risk management activities	(20,288)	87,723	(123)%
Realized gain (loss) on financial instruments	2,048	(1,764)	216%
	328,234	464,586	(29)%
Oil			
Sales from production	36,696	40,186	(9)%
Premium (loss) on risk management activities	(265)	454	(158)%
Realized gain (loss) on financial instruments	21,440	(129)	16,720%
	57,871	40,511	43%
Condensate			
Sales from production	106,478	96,481	10%
Loss on risk management activities	(3,289)	–	(100)%
Realized (loss) on financial instruments	(380)	–	(100)%
	102,809	96,481	7%
NGL			
Sales from production	36,001	62,723	(43)%
Total			
Sales from production	525,649	578,017	(9)%
Premium (loss) on risk management activities	(23,842)	88,177	(127)%
Realized gain (loss) on financial instruments	23,108	(1,893)	1,321%
Total revenue from commodity sales, premium (loss) on risk management activities, and realized gain (loss) on financial instruments	\$ 524,915	\$ 664,301	(21)%

Total sales from production for the three months ended March 31, 2020 decreased 9% to \$525.6 million from \$578.0 million for the same quarter of 2019. The decrease can be attributed to lower benchmark prices across all commodities during the quarter.

The first quarter of 2020 included a loss on risk management activities of \$23.8 million compared to a premium of \$88.2 million for the same period 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. In the first quarter of 2020, AECO prices on average were higher than the prices received (after transportation) at the other hubs 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 a gain in the first quarter of 2019.

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 March 31,		
	2020	2019	Change
Natural gas			
NYMEX Last Day (USD\$/mcf)	\$ 1.95	\$ 3.15	(38)%
AECO 5A (CAD\$/mcf)	\$ 2.04	\$ 2.64	(22)%
West Coast Station 2 (CAD\$/mcf)	\$ 2.00	\$ 1.32	52%
Sumas (USD\$/mmbtu)	\$ 1.86	\$ 14.05	(87)%
ATP 5A Day Ahead (CAD\$/mcf)	\$ 1.73	\$ 2.69	(36)%
Chicago City Gate (USD\$/mmbtu)	\$ 1.75	\$ 3.08	(43)%
Ventura (USD\$/mmbtu)	\$ 1.72	\$ 3.13	(45)%
PG&E Malin (USD\$/mmbtu)	\$ 1.85	\$ 4.72	(61)%
PG&E City Gate (USD\$/mmbtu)	\$ 2.71	\$ 5.09	(47)%
Dawn (USD\$/mmbtu)	\$ 1.76	\$ 2.91	(40)%
Oil and condensate			
NYMEX (USD\$/bbl)	\$ 46.17	\$ 54.90	(16)%
Edmonton Par (CAD\$/bbl)	\$ 51.89	\$ 66.87	(22)%
Edmonton Condensate (CAD\$/bbl)	\$ 66.45	\$ 68.71	(3)%

CURRENCY – EXCHANGE RATES:

	Three Months Ended March 31,		
	2020	2019	Change
CAD\$/USD\$ ⁽¹⁾	\$ 0.7443	\$ 0.7521	(1)%

(1) Average rates for the period.

TOURMALINE REALIZED PRICES:

	Three Months Ended March 31,		
	2020	2019	Change
Natural gas (\$/mcf)	\$ 2.45	\$ 3.59	(32)%
Oil (\$/bbl)	\$ 72.09	\$ 61.13	18%
Condensate (\$/bbl)	\$ 59.31	\$ 62.78	(6)%
NGL (\$/bbl)	\$ 11.40	\$ 23.93	(52)%
Oil equivalent (\$/boe)	\$ 18.71	\$ 25.15	(26)%

The realized average natural gas price for the three months ended March 31, 2020 decreased by 32% to \$2.45/mcf from \$3.59/mcf in the same period of the prior year. The decrease is the result of significantly lower natural gas benchmark prices, excluding Station 2, compared to the same period of the prior year.

Realized oil prices increased by 18% for the three months ended March 31, 2020 compared to the same period of the prior year. The realized oil price for the first quarter of 2020 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 quarter to take advantage of the significant gain that had been realized.

For the three months ended March 31, 2020, the realized price of condensate was \$59.31/bbl, which is 6% lower than the same period of the prior year. The decrease is consistent with the decline in benchmark prices experienced during the first quarter of 2020.

The realized NGL price for the three months ended March 31, 2020, decreased by 52%. The decrease reflects significantly lower benchmark prices for propane, butane, and pentane in the first quarter of 2020 compared to the first quarter of the prior year.

ROYALTIES

(000s)	Three Months Ended March 31,	
	2020	2019
Natural gas	\$ 677	\$ 13,823
Oil, condensate and NGL	16,252	17,800
Total royalties	\$ 16,929	\$ 31,623
Royalties as a percentage of commodity sales from production	3.2%	5.5%

For the quarter ended March 31, 2020, the average effective royalty rate was 3.2% compared to 5.5% for the quarter ended March 31, 2019. Natural gas royalties of \$0.7 million included crown royalties of \$17.8 million offset by credits of \$17.1 million. In the first quarter of 2019, natural gas royalties of \$13.8 million included crown royalties of \$38.0 million offset by credits of \$24.2 million. The lower natural gas royalties in 2020 reflect the decrease in the AECO benchmark price. Included in the credits received for the three months ended March 31, 2020 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 between 4-5%. The lower rate compared to the originally disclosed rate of between 5-6% reflects the significant decrease in expected liquids pricing for 2020. 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 March 31,		
	2020	2019	Change
Marketing revenue	\$ 23,127	\$ 2,548	808%
Marketing purchases	(21,519)	(2,728)	689%
	\$ 1,608	\$ (180)	993%

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 March 31, 2020, marketing revenue and marketing purchases increased by 808% and 689%, respectively, compared to the three months ended March 31, 2019. This increase can be attributed to a significant increase in third-party volume purchased and sold in the first quarter of 2020.

OTHER INCOME

(000s)	Three Months Ended March 31,		
	2020	2019	Change
Other income	\$ 8,613	\$ 7,342	17%

Other income for the three months ended March 31, 2020 was \$8.6 million compared to \$7.3 million for the same period of 2019. The increase in 2020 can mostly be attributed to higher power generation income related to a significant increase in electricity prices.

OPERATING EXPENSES

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2020	2019	Change
Operating expenses	\$ 83,406	\$ 92,165	(10)%
Per boe	\$ 2.97	\$ 3.49	(15)%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the first quarter of 2020, total operating expenses were \$83.4 million compared to \$92.2 million in 2019, a decrease of 10% over a production base increase of 5% for the same period reflecting the Company's continuous improvement of operational efficiencies.

On a per-boe basis, the costs decreased from \$3.49/boe for the first quarter of 2019 to \$2.97/boe in the first quarter of 2020. The decrease in per-boe costs in the first quarter of 2020 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 \$3.30/boe compared to the original guidance of \$3.45/boe. This has been lowered from original guidance to reflect the significantly lower operating costs incurred in the first quarter 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 crisis. 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 March 31,		
	2020	2019	Change
Natural gas transportation	\$ 102,004	\$ 78,491	30%
Oil and NGL transportation	20,182	22,098	(9)%
Total transportation	\$ 122,186	\$ 100,589	21%
Per boe	\$ 4.35	\$ 3.81	14%

For the first quarter of 2020, total transportation expenses were \$122.2 million compared to \$100.6 million in the first quarter of 2019, reflecting increased costs related to higher production volumes as well as increased volumes going to diversified sales points. The lower oil and NGL transportation in the first quarter of 2020 compared to the same period of 2019 reflects a 13th month adjustment received from a third-party shipper in the first quarter of 2020.

On a per-boe basis, the transportation costs increased from \$3.81/boe for the first quarter of 2019 to \$4.35/boe in the first quarter of 2020. 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 for the three months ended March 31, 2020 compared to 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 March 31,		
	2020	2019	Change
G&A expenses	\$ 24,808	\$ 21,948	13%
Administrative and capital recovery	(631)	(2,476)	(75)%
Capitalized G&A	(7,908)	(7,325)	8%
Total G&A expenses	\$ 16,269	\$ 12,147	34%
Per boe	\$ 0.58	\$ 0.46	26%

Total G&A expenses in the first quarter of 2020 were \$16.3 million compared to \$12.1 million for the same quarter of 2019. The increase is primarily due to staff additions needed to manage the larger production, reserve and land base as well as 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 \$0.55/boe, which is a small increase over the original guidance of \$0.50/boe as disclosed in the Company’s December 31, 2019 MD&A. The increase reflects increased costs associated with the newly-created company Topaz Energy Corp. (“Topaz”), 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 March 31,	
	2020	2019
Share-based payments	\$ 4,124	\$ 6,538
Capitalized share-based payments	(1,692)	(2,873)
Total share-based payments	\$ 2,432	\$ 3,665
Per boe	\$ 0.09	\$ 0.14

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the first quarter of 2020, 104,000 stock options were granted at a weighted-average exercise price of \$11.70 per option.

The Company recognized \$2.4 million of share-based payments expense in the first quarter of 2020 compared to \$3.7 million in the first quarter of 2019. Capitalized share-based payments for the first quarter of 2020 were \$1.7 million compared to \$2.9 million for the same period 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 March 31,	
	2020	2019
Total depletion, depreciation, amortization and impairment	\$ 503,526	\$ 228,796
Less mineral lease expiries	(34,417)	(27,865)
Less impairment expense	(250,000)	–
Depletion, depreciation and amortization (“DD&A”)	\$ 219,109	\$ 200,931
Per boe	\$ 7.81	\$ 7.61

DD&A expense, excluding mineral lease expiries and impairment expense, was \$219.1 million for the first quarter of 2020 compared to \$200.9 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 \$7.81/boe for the first quarter of 2020 increased compared to the rate of \$7.61/boe for the same quarter of 2019 primarily due to the creation of the Topaz CGU in November 2019 which has a higher depletion rate than the Company’s other CGUs because it does not include undeveloped reserves and associated future development costs.

Mineral lease expiries for the three months ended March 31, 2020 were \$34.4 million, compared to expiries in the same quarter of the prior year of \$27.9 million. The expired leases amount to approximately 3.6% 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.

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. The Company identified triggers for impairment on all its CGUs and performed impairment tests accordingly. The Company determined only the Spirit River CGU was impaired. There was no impairment expense for three months ended March 31, 2019.

FINANCE EXPENSES

(000s)	Three Months Ended		
	2020	2019	March 31, Change
Interest expense	\$ 15,016	\$ 14,790	2%
Capitalized borrowing costs	–	(1,355)	(100)%
Accretion expense	1,036	1,345	(23)%
Lease interest expense	39	51	(24)%
Foreign exchange (gain) loss on U.S. denominated debt	51,025	(13,877)	469%
Realized (gain) loss on cross-currency swaps	(51,025)	13,877	(469)%
Realized (gain) on interest rate swaps	(376)	(568)	(34)%
Transaction costs on corporate acquisitions	200	–	100%
Total finance expenses	\$ 15,915	\$ 14,263	12%

Finance expenses for the three months ended March 31, 2020 totaled \$15.9 million compared to \$14.3 million for the same period of 2019. The average bank debt outstanding and the average effective interest rate on the debt was \$1,690.5 million and 3.15% for the three months ended March 31, 2020 compared to \$1,611.7 million and 3.31% for the same period of 2019, respectively.

Interest expense increased in the first quarter of 2020 due to the increase in average bank debt outstanding but was partially offset by the decrease in the effective interest rate compared to the first quarter of 2019. The decrease in the effective interest rate reflects a decrease in the Bank of Canada prime rate over the same period. In the first quarter of 2019, the Company recorded capitalized borrowing costs related to long-term capital projects which lowered finance expenses for the three months ended March 31, 2019. No borrowing costs related to long-term capital projects were capitalized for the three months ended March 31, 2020.

For the three-month period ended March 31, 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 loss due to the weakening 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 March 31,		
	2020	2019	Change
Deferred income taxes (recovery)	\$ (20,510)	\$ 34,796	(159)%

For the three months ended March 31, 2020, the provision for deferred income tax recovery was \$20.5 million compared to deferred income tax expense of \$34.8 million for the same period of 2019. The deferred income tax recovery for the three months ended March 31, 2020 is due to the Company having a net loss before taxes of \$56.7 million compared to net income before taxes of \$122.5 million for the same period of 2019.

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

(000s) except per unit amounts	Three Months Ended March 31,		
	2020	2019	Change
Cash flow from operating activities	\$ 341,958	\$ 383,120	(11)%
Per share ⁽¹⁾	\$ 1.26	\$ 1.41	(11)%
Cash flow ⁽²⁾	\$ 283,718	\$ 419,242	(32)%
Per share ⁽¹⁾⁽²⁾	\$ 1.05	\$ 1.54	(32)%
Net earnings (loss)	\$ (35,812)	\$ 87,710	(141)%
Per share ⁽¹⁾	\$ (0.13)	\$ 0.32	(141)%
Operating netback per boe ⁽²⁾	\$ 10.79	\$ 16.65	(35)%

(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 March 31, 2020 was \$283.7 million or \$1.05 per diluted share compared to \$419.2 million or \$1.54 per diluted share for the same period of 2019. The decrease in cash flow for the three months ended March 31, 2020 reflects significantly lower benchmark commodity prices partially offset by an increase in production over the same period of 2019.

The Company had an after-tax net loss for the three months ended March 31, 2020 of \$35.8 million or \$0.13 per share compared to after-tax net earnings of \$87.7 million or \$0.32 per diluted share for the same period 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 partially offset by an improvement in the unrealized gain on financial instruments of \$193.3 million compared to the first quarter of 2019. There was no PP&E impairment expense for the same period of the prior year.

CAPITAL EXPENDITURES

(000s)	Three Months Ended March 31,	
	2020	2019
Land and seismic	\$ 3,277	\$ 1,767
Drilling and completions	210,659	233,718
Facilities	92,249	141,481
Property acquisitions	3,020	123
Property dispositions	(235)	(1,763)
Other	8,644	9,058
Total cash capital expenditures	\$ 317,614	\$ 384,384

During the first quarter of 2020, the Company invested \$317.6 million of cash consideration, net of dispositions, compared to \$384.4 million for the same period of 2019. Expenditures on exploration and production were \$306.2 million for the first quarter of 2020 compared to \$377.0 million for the same quarter of 2019.

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

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	Gross	Net	Gross	Net
Drilled	42	39.70	65	60.62
Completed	68	67.15	68	61.92
Tied-in	65	64.15	79	68.35

Exploration and production capital expenditures in 2020 are now forecast to be \$800.0 million which has been reduced 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 COVID-19 impact 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 Acquisition

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 Northeast BC area and provides for an increase in developed lands and production, and includes a compressor station.

Acquisitions and Dispositions

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 the August 13, 2019 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 months ended March 31, 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 March 31, 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 \$14.2 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, 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 months ended March 31, 2020. The operating credit facility is in the amount of \$25.0 million and has a maturity date of December 10, 2021, which may, at the request of the Company and with consent of the lender, be extended on an annual basis. At March 31, 2020, the operating credit facility was not drawn.

The Company's aggregate borrowing capacity is \$2.875 billion at March 31, 2020. As at, and for the quarter ending, March 31, 2020, the Company is in compliance with all debt covenants.

Working capital and net debt

As at March 31, 2020, the Company had an adjusted working capital deficiency of \$268.4 million, after adjusting for the fair value of financial instruments, lease liabilities and unrealized foreign exchange in working capital deficiency (the unadjusted working capital deficiency was \$165.7 million) (December 31, 2019 – \$136.7 million and \$153.0 million, respectively). As at March 31, 2020, the Company had \$948.8 million in long-term debt outstanding and \$620.9 million drawn against the revolving credit facility for total bank debt of \$1,569.7 million (net of debt issue costs) (December 31, 2019 - \$1,619.0 million). Net debt at March 31, 2020 was \$1,838.1 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 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 three-months ended March 31, 2020, the Company purchased 221,600 common shares for cancellation at an average price of \$9.71 per share. The Company believes that prudent and systematic purchases of its common shares is an important strategy during periods of depressed share prices and after considering numerous other factors. 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.

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) which resulted in Tourmaline reducing its ownership interest from 100% to 73.9% creating a 26.1% non-controlling interest.

Dividends

During the three months ended March 31, 2020, the Company paid a cash dividend of \$0.12 per common share totalling \$32.5 million, compared to \$0.10 per common share totalling \$27.2 million for the same period of the prior year. Additionally, during the three months ended March 31, 2020, Topaz paid a cash dividend of \$0.20 per common share totalling \$16.0 million of which \$11.8 million was paid to Tourmaline and eliminated on consolidation.

Capital management

For 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 May 6, 2020, the Company has 270,775,559 common shares and 19,045,234 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⁾	\$ 1,784	\$ 3,568	\$ 3,496	\$ 3,496	\$ 12,344
Firm transportation and processing agreements	505,040	980,343	919,623	3,360,939	5,765,945
Capital commitments ⁽²⁾	17,938	36,121	28,627	181,093	263,779
Credit facility ⁽³⁾	–	–	699,348	–	699,348
Term debt ⁽⁴⁾	26,283	52,566	980,963	–	1,059,812
	\$ 551,045	\$ 1,072,598	\$ 2,632,057	\$ 3,545,528	\$ 7,801,228

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

(2) Includes processing commitments and power commitments.

(3) Includes interest expense at an annual rate of 2.75% being the rate applicable to outstanding debt on the credit facility at March 31, 2020.

(4) Includes interest expense at an annual rate of 2.77% being the fixed rate on the term debt at March 31, 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 March 31, 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 March 31, 2020 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 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 March 31, 2020 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 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 January 1, 2020 and ending on March 31, 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, and 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:

	Three Months Ended March 31,	
(000s)	2020	2019
Cash flow from operating activities (per GAAP)	\$ 341,958	\$ 383,120
Change in non-cash working capital	(58,240)	36,122
Cash flow	\$ 283,718	\$ 419,242

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 March 31,	
	2020	2019
Revenue, excluding processing income	\$ 18.71	\$ 25.15
Royalties	(0.60)	(1.20)
Transportation costs	(4.35)	(3.81)
Operating expenses	(2.97)	(3.49)
Operating netback	\$ 10.79	\$ 16.65

Adjusted Working Capital

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

(000s)	As at	As at
	March 31, 2020	December 31, 2019
Working capital (deficit)	\$ (165,667)	\$ (152,987)
Fair value of financial instruments – short-term (asset) liability	(103,410)	10,885
Lease liabilities – short-term	2,056	2,724
Unrealized foreign exchange in working capital - (asset) liability	(1,376)	2,703
Adjusted working capital (deficit)	\$ (268,397)	\$ (136,675)

Net Debt

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

(000s)	As at	As at
	March 31, 2020	December 31, 2019
Bank debt	\$ (1,569,731)	\$(1,619,009)
Adjusted working capital (deficit)	(268,397)	(136,675)
Net debt	\$ (1,838,128)	\$(1,755,684)

SELECTED QUARTERLY INFORMATION

(\$000s, unless otherwise noted)	2020				2019			2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
PRODUCTION								
Natural gas (mcf)	134,195,958	132,456,603	129,027,017	124,790,550	129,529,098	123,995,544	115,321,116	117,429,708
Oil, condensate and NGL (bbls)	5,693,802	5,509,543	5,136,598	4,731,375	4,820,850	4,778,286	4,164,796	4,172,997
Oil equivalent (boe)	28,059,795	27,585,644	26,641,101	25,529,800	26,409,060	25,444,210	23,384,982	23,744,615
Natural gas (mcf/d)	1,474,681	1,439,746	1,402,468	1,371,325	1,439,212	1,347,778	1,253,490	1,290,436
Oil, condensate and NGL (bbls/d)	62,569	59,886	55,833	51,993	53,565	51,938	45,270	45,857
Oil equivalent (boe/d)	308,349	299,844	289,578	280,547	293,434	276,568	254,185	260,930
FINANCIAL								
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	524,915	579,588	440,089	443,359	664,301	595,487	496,711	463,845
Cash flow from operating activities	341,958	287,729	205,798	298,282	383,120	329,997	314,191	283,155
Per diluted share	1.26	1.06	0.76	1.10	1.41	1.21	1.15	1.04
Cash flow ⁽¹⁾	283,718	335,856	223,984	226,458	419,242	391,532	287,421	272,261
Per diluted share	1.05	1.24	0.82	0.83	1.54	1.44	1.06	1.00
Net earnings (loss)	(35,812)	61,340	15,750	154,940	87,710	190,895	55,296	25,639
Per basic share	(0.13)	0.23	0.06	0.57	0.32	0.70	0.20	0.09
Per diluted share	(0.13)	0.23	0.06	0.57	0.32	0.70	0.20	0.09
Total assets	11,106,254	11,180,610	11,043,666	10,836,576	10,924,480	10,732,457	10,429,505	10,186,188
Working capital (deficit)	(165,667)	(152,987)	(149,467)	(159,480)	(272,500)	(228,403)	(411,687)	(192,116)
Adjusted working capital (deficit) ⁽¹⁾	(268,397)	(136,675)	(151,884)	(160,101)	(245,285)	(242,043)	(341,960)	(130,834)
Cash capital expenditures	317,614	320,389	384,307	198,179	384,384	395,194	409,919	191,773
Dividends paid	36,666	32,525	32,620	32,646	27,204	27,304	27,103	24,488
Total outstanding shares (000s)	270,776	270,997	271,827	272,050	272,050	272,043	272,043	272,084
PER UNIT								
Natural gas (\$/mcf)	2.45	2.77	1.89	2.07	3.59	3.13	2.54	2.25
Oil and NGL (\$/bbl)	34.54	38.59	38.24	39.08	41.43	43.40	48.91	47.93
Revenue (\$/boe)	18.71	21.01	16.52	17.37	25.15	23.40	21.24	19.53
Operating netback (\$/boe) ⁽¹⁾	10.79	13.00	9.10	9.60	16.65	15.82	13.15	12.10

(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 308,349 boe per day in the first three 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 \$1,006.0 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.