



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

As at September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline Oil Corp.'s ("Tourmaline" or the "Company") unaudited interim condensed consolidated financial statements and related notes as at and for the three and nine months ended September 30, 2021 and the consolidated financial statements for the year ended December 31, 2020. The consolidated financial statements can be found at www.sedar.com or www.tourmalineoil.com. This MD&A is dated November 3, 2021.

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.

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".

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 any dividends (regular or special) and the timing and amount thereof; the expectation for potential share buybacks; 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; 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

The COVID-19 pandemic had a significantly negative impact on global economic conditions in 2020 which included a large decrease in oil demand which combined with other macro-economic conditions resulted in significant volatility of commodity prices as well as increased economic uncertainty. Throughout 2021, there has been an economic recovery providing for more positive outlooks on commodity prices and general market and industry conditions as COVID-19 vaccination rates continue to increase and government restrictions are slowly eased.

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.

See "Business Risks and Uncertainties" in this MD&A for additional information regarding certain risks relating to the COVID-19 pandemic which Tourmaline and its business and operations are subject to.

TOPAZ ENERGY CORP. (“TOPAZ”) LOSS OF CONTROL

On June 8, 2021, Topaz, a previously controlled subsidiary of Tourmaline, completed a public offering and concurrent private placement equity financing and issued 14.3 million common shares reducing Tourmaline’s ownership interest in Topaz to 45.2%. As a controlled subsidiary the financial statements of Topaz were consolidated with Tourmaline and any intercompany balances and transactions were eliminated. Subsequent to the completion of the public offering and concurrent private placement equity financing, Tourmaline determined that, in accordance with IFRS, it no longer controlled Topaz. Accordingly, Tourmaline derecognized the assets and liabilities of Topaz and the associated non-controlling interest (“NCI”) and recorded a gain on loss of control of \$321.2 million.

Tourmaline’s remaining equity interest in Topaz was measured at fair value of \$870.5 million, using the market price of the Topaz shares on the day that Tourmaline lost control, and was included on the interim condensed consolidated financial statements as at June 30, 2021, as an investment in Topaz. Topaz is now classified as an associate which is an entity in which the Company has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method whereby subsequent to initial recognition, the consolidated financial statements include the Company’s share of the profit or loss and dividends paid of the associate until the date on which significant influence ceases.

Subsequent to June 8, 2021, intercompany transactions between Tourmaline and Topaz will no longer be eliminated on consolidation. The Company therefore expects its royalty expense and operating expense to increase reflecting the royalty interests sold to Topaz and interests in infrastructure assets sold to Topaz on which Tourmaline incurs processing fees. The Company also expects other income to decrease as a significant portion of the other income stream was sold to Topaz on its formation along with other third-party processing agreements Topaz entered into with third parties. The Company will also be recording quarterly dividends received from Topaz as cash flow from operating activities.

PRODUCTION

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Natural gas (<i>mcf/d</i>)	2,146,477	1,413,983	52%	1,994,091	1,437,867	39%
Oil (<i>bbl/d</i>)	9,954	7,516	32%	10,114	8,272	22%
Condensate (<i>bbl/d</i>)	29,109	19,732	48%	26,386	19,423	36%
NGL (<i>bbl/d</i>)	59,680	35,290	69%	57,451	34,620	66%
Oil equivalent (<i>boe/d</i>)	456,489	298,202	53%	426,300	301,960	41%
Production in storage (<i>boe/d</i>)	1,334	1,649	(19)%	442	1,291	(66)%
Total produced volumes (<i>boe/d</i>)	457,823	299,851	53%	426,742	303,251	41%
Natural gas %	78%	79%		78%	79%	

Production for the three months ended September 30, 2021, averaged 456,489 boe/d, a 53% increase over the average production for the same quarter of 2020 of 298,202 boe/d. For the nine months ended September 30, 2021, production increased 41% to 426,300 boe/d from 301,960 boe/d for the same period of 2020.

The production increase for the three and nine months ended September 30, 2021, is primarily a result of the corporate and property acquisitions completed since the third quarter of 2020, which account for approximately 80% of the increase in production. The remaining increase is attributable to the Company's successful exploration and production program, including the growth in condensate and NGL production which reflects the continued development of the Gundy area. Production is expected to continue to increase in the area with the construction of Gundy Phase 2 almost complete and now expected to be commissioned in December 2021.

Excluded from the average production volumes discussed above, for the third quarter of 2021, was 1,334 boe/d of natural gas which was injected into storage facilities during the quarter. Average produced volumes for the third quarter of 2021 were 457,823 boe/d. For the third quarter of 2020, 1,649 boe/d of natural gas was injected into storage facilities resulting in average produced volumes of 299,851 boe/d.

The Company has storage capacity at both Dawn and PG&E City Gate. 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). The Company has total storage capacity of 4.0 Bcf.

Full-year average production guidance for 2021 is expected to be 440,000 – 445,000 boe/d, unchanged from the updated guidance provided in the Company's September 22, 2021 press release.

REVENUE AND REALIZED GAINS (LOSSES)

(000s)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020 ⁽¹⁾	Change	2021	2020 ⁽¹⁾	Change
Natural gas						
Sales from production	\$ 826,225	\$ 371,392	122%	\$ 2,098,495	\$ 1,057,941	98%
Premium (loss) on risk management activities	14,069	(33,877)	142%	(9,557)	(83,583)	89%
Realized gain (loss) on financial instruments	(73,930)	433	(17,174)%	(90,924)	4,607	(2,074)%
	766,364	337,948	127%	1,998,014	978,965	104%
Oil						
Sales from production	73,957	31,692	133%	201,256	89,745	124%
Premium (loss) on risk management activities	1,599	(928)	272%	5,188	(2,948)	276%
Realized gain (loss) on financial instruments	(11,224)	2,826	(497)%	(26,084)	19,384	(235)%
	64,332	33,590	92%	180,360	106,181	70%
Condensate						
Sales from production	230,699	90,655	154%	576,857	242,719	138%
(Loss) on risk management activities	(365)	(3,375)	89%	(3,267)	(8,557)	(62)%
Realized gain (loss) on financial instruments	(34,304)	7,890	(535)%	(71,721)	44,984	(259)%
	196,030	95,170	106%	501,869	279,146	80%
NGL						
Sales from production	192,322	51,353	275%	467,940	122,237	283%
Realized (loss) on financial instruments	(5,672)	–	(100)%	(8,265)	–	(100)%
	186,650	51,353	263%	459,675	122,237	276%
Total						
Sales from production	1,323,203	545,092	143%	3,344,548	1,512,642	121%
Premium (loss) on risk management activities	15,303	(38,180)	140%	(7,636)	(95,088)	92%
Realized gain (loss) on financial instruments	(125,130)	11,149	(1,222)%	(196,994)	68,975	(386)%
Total revenue from commodity sales, premium (loss) on risk management activities, and realized gain (loss) on financial instruments	\$ 1,213,376	\$ 518,061	134%	\$ 3,139,918	\$ 1,486,529	111%

(1) Certain comparative amounts have been reclassified to conform with the current year's presentation.

Total sales from production for the three months ended September 30, 2021 increased 143% to \$1,323.2 million from \$545.1 million for the same quarter of 2020. Total sales from production for the nine months ended September 30, 2021 increased 121% from \$1,512.6 million in 2020 to \$3,344.5 million in 2021. The significant increase for both periods can be attributed to an increase in all commodity prices and increased sales volumes.

Included in the premium (loss) on risk management activities are the premiums/losses that Tourmaline receives from selling gas to markets outside Alberta and British Columbia and the premium (loss) 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 historically had higher natural gas prices as compared to AECO.

The three and nine months ended September 30, 2021 included a gain on risk management activities of \$15.3 million and a loss of \$7.6 million, respectively, compared to a loss of \$38.2 million and \$95.1 million, respectively, for the same periods of the prior year. The gain on risk management activities for the three months ended September 30, 2021 reflects an increase in the differential between the price at AECO and the price received at Malin, PG&E City Gate and Dawn which created gains at those hubs. The loss on risk management activities, for the nine months ended September 30, 2021 and the three and nine months ended September 30, 2020, reflects the increase in AECO prices in those periods, which were higher than the prices received (after transportation) at the other hubs where Tourmaline sold its natural gas, as well as increased losses on the Company's physical commodity contracts.

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 September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Natural gas						
NYMEX Last Day (USD\$/mcf)	\$ 4.01	\$ 1.98	103%	\$ 3.18	\$ 1.88	69%
AECO 5A (CAD\$/mcf)	\$ 3.62	\$ 2.25	61%	\$ 3.30	\$ 2.10	57%
West Coast Station 2 (CAD\$/mcf)	\$ 3.44	\$ 2.26	52%	\$ 3.18	\$ 1.96	53%
Sumas (USD\$/mmbtu)	\$ 4.14	\$ 1.94	113%	\$ 3.49	\$ 1.78	96%
ATP 5A Day Ahead (CAD\$/mcf)	\$ 4.26	\$ 2.19	95%	\$ 4.02	\$ 1.98	103%
Chicago City Gate (USD\$/mmbtu)	\$ 4.10	\$ 1.84	123%	\$ 5.39	\$ 1.74	210%
Ventura (USD\$/mmbtu)	\$ 4.02	\$ 1.80	123%	\$ 6.43	\$ 1.70	278%
PG&E Malin (USD\$/mmbtu)	\$ 4.37	\$ 1.98	121%	\$ 3.47	\$ 1.78	95%
PG&E City Gate (USD\$/mmbtu)	\$ 5.69	\$ 3.03	88%	\$ 4.53	\$ 2.72	67%
Dawn (USD\$/mmbtu)	\$ 3.98	\$ 1.82	119%	\$ 3.24	\$ 1.74	86%
Oil and condensate						
NYMEX (USD\$/bbl)	\$ 70.52	\$ 40.92	72%	\$ 65.07	\$ 38.21	70%
Edmonton Par (CAD\$/bbl)	\$ 84.16	\$ 49.06	72%	\$ 76.74	\$ 43.66	76%
Edmonton Condensate (CAD\$/bbl)	\$ 89.23	\$ 51.71	73%	\$ 81.49	\$ 47.64	71%

CURRENCY – EXCHANGE RATES:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
CAD\$/USD\$ ⁽¹⁾	\$ 0.7939	\$ 0.7507	6%	\$ 0.7993	\$ 0.7393	8%

(1) Average rates for the period.

TOURMALINE REALIZED PRICES:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Natural gas (\$/mcf)	\$ 3.88	\$ 2.60	49%	\$ 3.67	\$ 2.48	48%
Oil (\$/bbl)	\$ 70.25	\$ 48.58	45%	\$ 65.32	\$ 46.85	39%
Condensate (\$/bbl)	\$ 73.20	\$ 52.43	40%	\$ 69.67	\$ 52.45	33%
NGL (\$/bbl)	\$ 33.99	\$ 15.82	115%	\$ 29.31	\$ 12.89	127%
Oil equivalent (\$/boe)	\$ 28.89	\$ 18.89	53%	\$ 26.98	\$ 17.97	50%

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

(2) Certain comparative amounts have been reclassified to conform with the current year's presentation.

The realized average natural gas price for the three months ended September 30, 2021 increased by 49% to \$3.88/mcf from \$2.60/mcf in the same period of the prior year. For the nine months ended September 30, 2021, the realized average natural gas price was \$3.67/mcf, which is 48% higher than the same period of the prior year. The increase in both periods is the result of significantly higher natural gas benchmark prices across all the major hubs where the Company sells its natural gas compared to the same periods of the prior year, prior to any deductions for transportation.

Realized oil prices increased by 45% and 39% for the three and nine months ended September 30, 2021, respectively, compared to the same periods of the prior year. The increase reflects the increase in benchmark oil prices in the three and nine months ended September 30, 2021 compared to the same periods in 2020 partially offset by the realized loss on financial instruments. The realized oil price for the nine months ended September 30, 2020 included a \$4.8 million realized gain on financial instruments primarily related to unwinding a portion of the Company's financial contracts early in 2020 to take advantage of the significant gain that had been realized at that time.

For the three and nine months ended September 30, 2021, the realized price of condensate was \$73.20/bbl and \$69.67/bbl, which is 40% and 33%, respectively, higher than the same periods of the prior year. The increase reflects the higher benchmark prices received during the first nine months of 2021 partially offset by the realized loss on financial instruments. The realized condensate price for the nine months ended September 30, 2020 included a \$10.4 million realized gain on financial instruments primarily related to unwinding a portion of the Company's financial contracts early in the year to take advantage of the significant gain that had been realized.

The realized NGL price for the three and nine months ended September 30, 2021 increased by 115% and 127%, respectively, compared to the same periods of the prior year. The increase in both periods reflects significantly higher benchmark prices for ethane, propane, butane and pentane, which correlates with the increase in natural gas, oil and condensate benchmark prices for the periods.

ROYALTIES

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Natural gas	\$ 50,243	\$ (478)	\$ 89,331	\$ 3,137
Oil, condensate and NGL	59,180	9,074	130,415	33,763
Total royalties	\$ 109,423	\$ 8,596	\$ 219,746	\$ 36,900
Royalties as a percentage of commodity sales from production	8.3%	1.6%	6.6%	2.4%

For the three and nine months ended September 30, 2021, the average effective royalty rate was 8.3% and 6.6% compared to 1.6% and 2.4%, respectively, for the same periods of the prior year. The significantly higher benchmark commodity prices in 2021 resulted in higher natural gas, oil, condensate and NGL royalties compared to the prior year. Additionally, royalties for the third quarter of 2021 reflect gross overriding royalties paid by the Company to Topaz post June 8, 2021. These royalties were previously eliminated as Topaz was a subsidiary of Tourmaline and its operating results were reported on a consolidated basis.

Natural gas royalties of \$89.3 million, for the nine months ended September 30, 2021, included crown and GORR royalties of \$196.6 million offset by credits of \$107.3 million. For the nine months ended September 30, 2020, natural gas royalties of \$3.1 million included crown and GORR royalties of \$46.4 million offset by credits of \$43.3 million. Included in the credits received for the three and nine months ended September 30, 2021 and 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 Well Royalty Credit Program in British Columbia.

The Company expects its royalty rate for 2021 to be between 7-8%. The increase over the 2020 annual effective royalty rate of 3% is expected due to higher forecast commodity prices in 2021 and the incremental royalties to be paid to Topaz for the remainder of 2021. The royalty rate is sensitive to commodity prices and, as such, a change in commodity prices will increase or decrease the actual rate.

COMMODITY MARKETING

(000s)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Marketing revenue	\$ 13,195	\$ 10,305	28%	\$ 40,530	\$ 38,269	6%
Marketing purchases	(11,494)	(9,654)	19%	(37,731)	(37,464)	1%
	\$ 1,701	\$ 651	161%	\$ 2,799	\$ 805	248%

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 September 30, 2021, marketing revenue increased by 28% and marketing purchases increased by 19% compared to the same period of 2020. The increases in both marketing revenue and marketing purchases can be attributed to an increase in benchmark oil and condensate prices.

For the nine months ended September 30, 2021, marketing revenue and marketing purchases increased by 6% and 1%, respectively, compared to the nine months ended September 30, 2020. The slight increases in both marketing revenue and marketing purchases can be attributed to the increase in benchmark oil and condensate prices partially offset by a decrease in third-party volumes purchased and sold in 2021 compared to the same period of the prior year. This is a result of less third-party volumes available for purchase as well as Tourmaline using its own incremental proprietary volumes through the terminal leaving less room for third-party volumes.

OTHER INCOME

(000s)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Other income	\$ 10,453	\$ 11,964	(13)%	\$ 37,245	\$ 26,842	39%

Other income for the three months ended September 30, 2021 was \$10.5 million compared to \$12.0 million for the same period of the prior year. The decrease in other income is related to lower processing and gathering fees received from third parties after Topaz was deconsolidated as that income is now assigned directly to Topaz. Partially offsetting this decrease is an increase in power generation income in the third quarter of 2021.

For the nine months ended September 30, 2021, other income increased by 39% from \$26.8 million in 2020 to \$37.2 million in 2021. The increase in 2021 is due to Topaz entering into third-party processing agreements, which did not exist in the prior period, resulting in additional processing income while it was a subsidiary of Tourmaline.

OPERATING EXPENSES

(000s) except per unit amounts	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Operating expenses	\$ 157,854	\$ 89,370	77%	\$ 430,932	\$ 256,084	68%
Per boe	\$ 3.76	\$ 3.26	15%	\$ 3.70	\$ 3.10	19%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the third quarter of 2021, total operating expenses were \$157.9 million compared to \$89.4 million for the same period of 2020, an increase of 77% over a production base increase of 53%. Operating costs for the nine months ended September 30, 2021 were \$430.9 million compared to \$256.1 million for the same period of 2020, reflecting a 68% increase in total costs over a 41% increase in production.

On a per-boe basis, the costs increased from \$3.26/boe for the third quarter of 2020 to \$3.76/boe in the third quarter of 2021. For the nine months ended September 30, 2021, operating costs were \$3.70/boe, up from \$3.10/boe, for the first nine months of 2020. The increase in per-boe costs for both periods is related to processing and gathering fees paid to Topaz post June 8, 2021, which were previously eliminated, and due to the Company's production exceeding its gas processing capacity at Company-owned facilities resulting in an increase in production volumes processed at third-party facilities. The Gundy Phase 2 expansion, when commissioned, will help to reduce this capacity constraint and lower the processing fees in NEBC. Additionally, the production acquired through the Modern, Jupiter and Black Swan (as defined in the accompanying interim condensed consolidated financial statements) corporate acquisitions since Q3 2020 carried higher operating expenses per-boe which the Company continues to bring down as the assets are integrated and operational efficiencies are realized.

The Company's operating costs for 2021 are expected to average approximately \$3.75/boe. The increase over 2020 per-boe costs takes into consideration higher third-party processing fees in NEBC until Gundy Phase 2 is commissioned, the higher operating costs associated with the volumes acquired in the corporate acquisitions as well as higher anticipated property taxes and carbon taxes. The higher forecasted costs also now reflect the incremental processing fees post June 8, 2021, which will be paid to Topaz and are no longer eliminated on consolidation. The Company continues to increase its liquids portfolio which also carries higher operating costs. Actual cash costs can change, however, depending on a number of factors, including the Company's actual production levels.

TRANSPORTATION

<i>(000s) except per unit amounts</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Natural gas transportation	\$ 133,340	\$ 96,630	38%	\$ 369,116	\$ 299,036	23%
Oil and NGL transportation	41,803	28,484	47%	116,084	73,609	58%
Total transportation	\$ 175,143	\$ 125,114	40%	\$ 485,200	\$ 372,645	30%
Per boe	\$ 4.17	\$ 4.56	(9)%	\$ 4.17	\$ 4.50	(7)%

For the third quarter of 2021, total transportation expenses were \$175.1 million compared to \$125.1 million in the third quarter of 2020. For the nine months ended September 30, 2021, transportation expenses were \$485.2 million, compared to \$372.6 million for the same period of 2020. Transportation expenses in 2021 reflect increased costs related to higher production volumes compared to the prior year.

On a per-boe basis, transportation costs decreased from \$4.56/boe for the third quarter of 2020 to \$4.17/boe in the third quarter of 2021. For the nine months ended September 30, 2021, the per-boe transportation costs decreased from \$4.50/boe in the prior year to \$4.17/boe. The decrease in per-unit costs for both periods reflects lower transportation costs associated with the production volume acquired from the Modern and Jupiter acquisitions as those volumes are predominately sold at AECO and production acquired from the Black Swan acquisition where production volumes are predominately sold at Station 2.

GENERAL & ADMINISTRATIVE EXPENSES (“G&A”)

<i>(000s) except per unit amounts</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
G&A expenses	\$ 33,461	\$ 24,800	35%	\$ 98,204	\$ 75,542	30%
Administrative and capital recovery	(1,992)	(821)	143%	(4,588)	(2,490)	84%
Capitalized G&A	(10,156)	(8,797)	15%	(28,174)	(24,502)	15%
Total G&A expenses	\$ 21,313	\$ 15,182	40%	\$ 65,442	\$ 48,550	35%
Per boe	\$ 0.51	\$ 0.55	(7)%	\$ 0.56	\$ 0.59	(5)%

Total G&A expenses in the third quarter of 2021 were \$21.3 million compared to \$15.2 million for the same quarter of 2020. For the nine-month period ended September 30, 2021, G&A expenses were \$65.4 million compared to \$48.6 million for the same period of 2020. The increase is primarily due to staff additions, additional office space, and other costs related to corporate and property acquisitions as well as higher third-party service provider fees, insurance and increased costs related to industry marketing initiatives.

G&A expenses for 2021 are expected to average approximately \$0.60/boe. 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Share-based payments	\$ 10,181	\$ 4,538	\$ 19,533	\$ 12,816
Capitalized share-based payments	(4,346)	(1,889)	(8,147)	(5,280)
Total share-based payments	\$ 5,835	\$ 2,649	\$ 11,386	\$ 7,536
Per boe	\$ 0.14	\$ 0.10	\$ 0.10	\$ 0.09

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the third quarter of 2021, 450,550 stock options were granted at a weighted-average exercise price of \$34.54 per option and 4,096,503 options were exercised, bringing \$100.9 million of cash into treasury.

The Company recognized \$5.8 million and \$11.4 million of share-based payments expense for the three and nine months ended September 30, 2021 compared to \$2.6 million and \$7.5 million in the same periods of the prior year. Capitalized share-based payments for the three and nine months ended September 30, 2021 were \$4.3 million and \$8.1 million compared to \$1.9 million and \$5.3 million, respectively, for the same periods of the prior year.

Share-based payments are higher in 2021 compared to the same period of 2020, which reflects options with a higher fair value being expensed in 2021 compared to 2020.

DEPLETION, DEPRECIATION, AMORTIZATION, AND IMPAIRMENT

<i>(000s) except per unit amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total depletion, depreciation, amortization and impairment	\$ 276,506	\$ 209,588	\$ 795,499	\$ 921,886
Less mineral lease expiries	(19,982)	(2,535)	(27,120)	(39,785)
Less impairment expense	–	–	–	(250,000)
Depletion, depreciation and amortization (“DD&A”)	\$ 256,524	\$ 207,053	\$ 768,379	\$ 632,101
Per boe	\$ 6.11	\$ 7.55	\$ 6.60	\$ 7.64

DD&A expense, excluding mineral lease expiries and impairment expense, was \$256.5 million for the third quarter of 2021 compared to \$207.1 million for the same period of 2020. For the nine-month period ended September 30, 2021, DD&A expense (excluding mineral lease expiries and impairment expense) was \$768.4 million compared to \$632.1 million for the same period of 2020. The increase in DD&A expense in 2021 over 2020 is primarily due to a higher depletable base and higher production volumes.

The per-unit DD&A rate (excluding the impact of mineral lease expiries and impairment expense) of \$6.11/boe and \$6.60/boe for the three and nine months ended September 30, 2021, respectively, decreased compared to the rate of \$7.55/boe and \$7.64/boe for the same periods of the prior year, respectively. The decrease in both periods can be attributed to lower future development costs per well, thereby adding a higher proportion of reserves with lower associated future development costs and the corporate acquisitions of Modern and Jupiter added proportionately higher reserve volumes compared to the fair value of PP&E acquired. Both factors resulted in a lower depletion rate in 2021.

Mineral lease expiries for the three months ended September 30, 2021 were \$20.0 million, compared to expiries in the same quarter of the prior year of \$2.5 million. For the nine months ended September 30, 2021, expiries were \$27.1 million compared to \$39.8 million for the same period of 2020. 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. The expired leases for the three and nine months ended September 30, 2021 amount to 1.25% of Tourmaline’s total land base.

At September 30, 2021, the Company did not identify indicators of impairment on any of its cash-generating units (“CGUs”) and therefore, an impairment test was not performed. The Company also did not identify indicators of impairment reversals.

For the three months ended March 31, 2020, the Company recorded an aggregate impairment charge of \$250.0 million related to the Spirit River CGU as a result of an impairment test performed at March 31, 2020. The impairment was reaffirmed at December 31, 2020. The impairment was a result of the significant decrease in the forecasted oil commodity price. The decrease in the forecasted oil commodity price resulted in a significant drop in the discounted cash flows from proved and probable oil and gas reserves in the Spirit River CGU. The impairment charge, taken on the Spirit River CGU at March 31, 2020, is the only historical impairment charge taken by the Company.

FINANCE EXPENSES

(000s)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Interest expense	\$ 9,821	\$ 8,090	21%	\$ 28,927	\$ 33,181	(13)%
Capitalized interest	(609)	–	(100)%	(609)	–	(100)%
Accretion expense	3,233	1,254	158%	8,786	3,390	159%
Lease interest expense	85	89	(4)%	265	201	32%
Foreign exchange (gain) loss on U.S. denominated debt	22,167	(28,787)	177%	(10,794)	(50,728)	79%
Realized (gain) loss on cross-currency swaps	(22,167)	28,787	(177)%	10,794	50,728	(79)%
Realized loss on interest rate swaps	2,692	2,384	13%	8,088	3,720	117%
Transaction costs on corporate acquisitions	3,533	–	100%	3,608	550	556%
Total finance expenses	\$ 18,755	\$ 11,817	59%	\$ 49,065	\$ 41,042	20%

Finance expenses for the three months ended September 30, 2021 totaled \$18.8 million compared to \$11.8 million for the same period of 2020. The average bank debt and senior unsecured notes outstanding and the average effective interest rate on the debt was \$1,654.4 million and 1.90% for the three months ended September 30, 2021 compared to \$1,763.5 million and 1.57% for the same period of 2020, respectively. For the three months ended September 30, 2021, the Company recorded \$0.6 million in capitalized borrowing costs related to long-term capital projects compared to nil over the same period of the prior year. Transaction costs of \$3.5 million, predominately related to the Black Swan corporate acquisition, were also incurred in the third quarter of 2021.

For the nine months ended September 30, 2021, finance expenses totaled \$49.1 million compared to \$41.0 million for the same period of 2020. The average bank debt outstanding and the average effective interest rate on the debt for the nine months ended September 30, 2021 was \$1,759.4 million and 1.75% compared to \$1,744.2 million and 2.23% for the same period of 2020, respectively. Interest expense decreased for the nine months ended September 30, 2021 due to the decrease in the effective interest rate compared to the same period of 2020. The decrease in the effective interest rate reflects a lower Bank of Canada prime rate in 2021 over the same period of 2020.

For the three and nine-month periods ended September 30, 2021, 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.

U.S. dollar LIBOR benchmarks will begin phasing out on December 31, 2021. The Company expects the U.S. LIBOR benchmarks to be replaced with an alternative that will apply to its U.S. dollar borrowings to be used at the Company's option. It is not expected that this change will have a material impact to the Company.

DEFERRED INCOME TAXES (RECOVERY)

(000s)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Deferred income taxes (recovery)	\$ 106,806	\$ 2,679	3,887%	\$ 218,603	\$ (37,748)	679%

For the three and nine months ended September 30, 2021, the provision for deferred income taxes was \$106.8 million and \$218.6 million, respectively, compared to a deferred income tax of \$2.7 million and deferred income tax recovery of \$37.7 million for the same periods of the prior year. The deferred income tax expense for the three and nine months ended September 30, 2021, is primarily due to the Company having net income before tax of \$467.9 million and \$1,251.8 million, respectively. Included in the net income before taxes for the nine months ended September 30, 2021, is a gain on loss of control of \$321.2 million which is not taxable. The deferred income tax expense for the three months and deferred income tax recovery for the nine months ended September 30, 2020, reflects the Company having a net income before tax of \$6.4 million and a net loss before tax of \$50.3 million, respectively. The net income before tax for the nine months ended September 30, 2020, included gains on acquisitions of \$122.0 million, which are not taxable, resulting in higher losses during that period for tax purposes.

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

(000s) except per unit amounts	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Cash flow from operating activities	\$ 543,855	\$ 290,795	87%	\$ 1,788,657	\$ 798,610	124%
Per share ⁽¹⁾	\$ 1.66	\$ 1.07	55%	\$ 5.77	\$ 2.95	96%
Cash flow ⁽²⁾	\$ 761,333	\$ 279,923	172%	\$ 1,960,890	\$ 788,818	149%
Per share ⁽¹⁾⁽²⁾	\$ 2.32	\$ 1.03	125%	\$ 6.33	\$ 2.91	118%
Net earnings (loss)	\$ 361,057	\$ 4,826	7,381%	\$ 1,029,743	\$ (10,880)	9,565%
Per share ⁽¹⁾	\$ 1.10	\$ 0.02	5,400%	\$ 3.32	\$ (0.04)	8,400%
Operating netback per boe ⁽²⁾	\$ 18.35	\$ 10.76	71%	\$ 17.22	\$ 9.92	74%

(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 September 30, 2021 was \$761.3 million or \$2.32 per diluted share compared to \$279.9 million or \$1.03 per diluted share for the same period of 2020. Cash flow for the nine months ended September 30, 2021 was \$1,960.9 million or \$6.33 per diluted share compared to \$788.8 million or \$2.91 per diluted share for the same period of 2020. The increase in cash flow for the first nine months of 2021, compared to the same period of 2020, is due to the significant improvement in the benchmark prices for all commodities as well as increased production volume.

The Company had after-tax net earnings for the three months ended September 30, 2021 of \$361.1 million or \$1.10 per diluted share compared to after-tax net earnings of \$4.8 million or \$0.02 per diluted share for the same period of 2020. For the nine-month period ended September 30, 2021, after-tax net earnings were \$1,029.7 million or \$3.32 per diluted share compared to an after-tax net loss of \$10.9 million or \$0.04 per share for the first nine months of 2020. The increase in after-tax net earnings for the three and nine months ended September 30, 2021, reflects a 71% and 74% increase, respectively, in the Company's operating netback per boe combined with the increase in production volume in 2021. The after-tax net earnings for the nine months ended September 30, 2021, also reflects the \$321.2 million gain recorded as a result of the loss of control of Topaz in June 2021. For the three and nine months ended September 30, 2021, net earnings after taxes also includes a gain on divestitures of \$244.3 million.

CAPITAL EXPENDITURES

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Land and seismic	\$ 9,038	\$ 1,750	\$ 28,599	\$ 6,869
Drilling and completions	292,983	188,131	702,243	469,289
Facilities	77,700	43,529	250,479	159,028
Property acquisitions	54,482	113,454	519,140	152,613
Property dispositions	(390,200)	–	(390,996)	(235)
Other	12,105	7,831	33,445	24,777
Total cash capital expenditures	\$ 56,108	\$ 354,695	\$ 1,142,910	\$ 812,341

During the third quarter of 2021, the Company invested \$56.1 million of cash consideration, net of dispositions, compared to \$354.7 million for the same period of 2020. Expenditures on exploration and production were \$379.7 million for the third quarter of 2021 compared to \$233.4 million for the same quarter of 2020. During the nine-month period ended September 30, 2021, the Company invested \$1,142.9 million of cash consideration, net of dispositions, compared to \$812.3 million for the same period of 2020.

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

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Gross	Net	Gross	Net
Drilled	214	201.14	142	134.83
Completed	185	176.50	149	145.30
Tied-in	204	187.56	141	136.43

Exploration and production capital expenditures in 2021 are now forecast to be \$1,375.0 million which reflects additional capital to be spent in 2021 on the acquired Saguaro and Black Swan assets as well as increased capital spending focused on liquids production, margin improvements and modest acceleration of drilling activities. The Company expects drilling and completions costs of approximately \$945.0 million, facilities expenditures (including equipment, pipelines and tie-ins) of \$390.0 million as well as land and seismic expenditures of \$40.0 million. The capital budget is closely monitored and will continue to be adjusted as required, depending on cash flow available.

Corporate Acquisition

On July 15, 2021, the Company acquired all of the issued and outstanding shares of Black Swan. The Company issued 26.0 million common shares at a price of \$34.48 per common share for share consideration of \$896.5 million. Total transaction costs incurred by the Company of \$2.8 million associated with this acquisition were expensed in the consolidated statement of income (loss) and comprehensive income (loss). The acquisition resulted in an increase in PP&E of approximately \$1.4 billion, net debt of \$335.7 million (including the assumption of \$10.2 million in working capital), financial instrument liabilities of \$151.2 million (net), decommissioning obligations of \$10.3 million, and a deferred income tax liability of \$44.7 million. The acquisition of Black Swan is part of the Company's consolidation activities in Northeast BC and provides for an increase in developed lands, production and infrastructure including a working interest in two natural gas processing plants.

Acquisitions

On January 24, 2021, Topaz acquired a 49.5% working interest in certain water infrastructure assets for cash consideration of \$12.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$14.0 million and the assumption of \$2.0 million in decommissioning liabilities.

On March 25, 2021, Topaz acquired a royalty interest on developed and undeveloped lands in the Clearwater area of Alberta for cash consideration of \$13.7 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$13.7 million.

On April 1, 2021, Tourmaline acquired infrastructure assets in NEBC for cash consideration of \$54.9 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$55.2 million and decommissioning obligations of \$0.3 million.

On April 1, 2021, Tourmaline acquired assets in the Doe area of NEBC for cash consideration of \$30.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$30.4 million and decommissioning obligations of \$0.4 million.

On April 15, 2021, Tourmaline acquired a 50% working interest of all assets owned by Saguaro Resources Ltd. in the Laprise-Conroy area of NEBC for cash consideration of \$205.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$217.9 million and decommissioning obligations of \$12.9 million.

On May 18, 2021, Topaz acquired a royalty interest on developed and undeveloped lands in the Marten Hills Clearwater area of Alberta for cash consideration of \$102.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$102.0 million.

On May 31, 2021, Topaz acquired Reserve Royalty Commercial Trust ("Reserve Royalty") and its subsidiaries, which hold all the Reserve Royalty assets. As consideration, Topaz issued 1.8 million common shares at a price of \$14.49 per common share for consideration of \$26.0 million and a working capital adjustment of \$1.3 million which was paid in cash. The acquisition resulted in an increase in PP&E of approximately \$26.0 million.

On June 1, 2021, Topaz acquired a royalty interest on developed and undeveloped lands in the Peace River High area of Alberta for cash consideration of \$32.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$32.0 million.

On July 15, 2021, the Company acquired assets in the Birch area of NEBC for total consideration of \$85.6 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$87.9 million and decommissioning obligations of \$2.3 million.

The Company applied the optional IFRS 3 concentration test to each of the above acquisitions which resulted in the acquired assets being accounted for as asset acquisitions.

Dispositions

On July 1, 2021, the Company sold a royalty interest on some of its developed and undeveloped lands in NEBC along with a working interest in the Gundy deep cut gas processing facility to Topaz for cash consideration of \$245.0 million, before customary closing adjustments. The transaction resulted in a gain on disposition of \$186.8 million which was recorded in the Company's consolidated income statement for the three and nine months ended September 30, 2021.

On August 1, 2021, Tourmaline sold a royalty interest on both the Black Swan and Birch lands discussed above to Topaz for cash consideration of \$145.0 million, before customary closing adjustments. The transaction resulted in a gain on disposition of \$57.1 million which was recorded in the Company's consolidated income statement for the three and nine months ended September 30, 2021.

Total Property Acquisitions and Dispositions

In total, for the nine months ended September 30, 2021, the Company, and Topaz, prior to deconsolidation, completed property acquisitions for cash consideration of \$519.1 million, including the acquisitions discussed above (December 31, 2020 - \$171.9 million) and \$70.1 million in acquisitions for non-cash consideration (December 31, 2020 - \$6.2 million). The Company assumed \$24.9 million in decommissioning liabilities as a result of these acquisitions (December 31, 2020 - \$15.9 million).

For the nine months ended September 30, 2021, the Company also completed property dispositions, including the dispositions discussed above, for total cash consideration of \$391.0 million (December 31, 2020 - \$0.2 million) and non-cash consideration of \$1.0 million (December 31, 2020 - \$6.2 million).

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, in the amount of \$1.8 billion. In March 2021, the Company extended the maturity date of the revolving credit facility to June 2026. With the exception of the change in maturity date, the revolving credit facility was renewed under the same terms and conditions as those described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2020. 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. At September 30, 2021, the revolving credit facility was not drawn.

The Company has a \$950.0 million term loan with a syndicate of banks. In March 2021, the Company extended the maturity date of the term loan to June 2026. With the exception of the change in maturity date, the term loan was renewed under the same terms and conditions as those described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2020. 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. 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. In March 2021, the Company extended the maturity date of the operating credit facility to June 2023. With the exception of the change in maturity date, the term loan was renewed under the same terms and conditions as those described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2020. The maturity date may, at the request of the Company and with consent of the lender, be extended on an annual basis. The covenants are the same as the revolving credit facility. At September 30, 2021, 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 \$24.4 million at September 30, 2021 (December 31, 2020 - \$19.5 million), which reduces the credit available on this facility.

The Company's aggregate borrowing capacity is \$3.3 billion at September 30, 2021, including the senior unsecured notes. As at, and for the quarter ending September 30, 2021, the Company is in compliance with all debt covenants.

On October 8, 2021, Tourmaline increased the credit capacity of its revolving credit facility from \$1.8 billion to \$2.55 billion and concurrently cancelled the \$950.0 million term loan, which had a higher interest rate. The aggregate borrowing capacity of the Company was reduced from \$3.3 billion to \$3.1 billion.

Senior unsecured notes

On January 25, 2021, the Company issued \$250.0 million of senior unsecured notes. The notes bear interest at a fixed rate of 2.077%, payable semi-annually commencing on July 25, 2021, with a due date of January 25, 2028 and rank equally with all other present unsecured and subordinated debt of the Company. There are no financial covenants on these senior unsecured notes.

On August 9, 2021, the Company issued \$200.0 million of senior unsecured notes. The notes bear interest at a fixed rate of 2.529%, payable semi-annually commencing on February 12, 2022, with a due date of February 12, 2029 and rank equally with all other present unsecured and subordinated debt of the Company. There are no financial covenants on these senior unsecured notes.

Working capital and net debt ⁽¹⁾

As at September 30, 2021, the Company had an adjusted working capital deficit⁽¹⁾ of \$70.4 million, after adjusting for the fair value of financial instruments, short term lease liabilities, short term decommissioning obligations and unrealized foreign exchange in working capital deficit (the unadjusted working capital deficiency was \$591.7 million) (December 31, 2020 – working capital of \$157.3 million and \$111.7 million, respectively). As at September 30, 2021, the Company had \$946.7 million in long-term debt outstanding and \$448.0 million of notes outstanding for total bank debt and notes of \$1,394.7 million (net of debt issue costs) (December 31, 2020 - \$1,942.3 million). Net debt⁽¹⁾ at September 30, 2021 was \$1,465.1 million, excluding the fair value of short-term financial instruments, short term lease liabilities, short term decommissioning obligations and unrealized foreign exchange in working capital deficit (December 31, 2020 - \$1,784.9 million).

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

Normal course issuer bid

The Company has a normal course issuer bid ("NCIB") with the Toronto Stock Exchange ("TSX"). On July 9, 2021, the Company renewed its NCIB with the TSX allowing up to 14,943,420 common shares, representing 5% of the common shares outstanding at July 9, 2021, to be purchased over a twelve-month period commencing on July 20, 2021. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the nine months ended September 30, 2021, the Company purchased 0.2 million common shares for cancellation at an average price of \$32.73 per share for total cash consideration of \$6.5 million.

Non-controlling interest and common control transactions

On January 1, 2021, Tourmaline completed a gross overriding royalty disposition to Topaz on both the Modern and Jupiter lands for cash consideration of \$130.0 million. Prior to, and immediately subsequent to closing the acquisition, Topaz was a subsidiary controlled by the Company and consequently was under common control at the time of the acquisition. Topaz applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition resulting in an increase to Topaz PP&E of \$130.0 million in exchange for cash to Tourmaline of \$130.0 million.

On February 24, 2021, 158,334 stock options were exercised for Topaz common shares for cash consideration of \$1.6 million resulting in Tourmaline's ownership interest being reduced from 51.7% to 51.6%.

On May 31, 2021, Topaz issued 1,794,886 common shares to acquire Reserve Royalty. The share issuance resulted in Tourmaline's ownership interest being reduced from 51.6% to 50.8%.

On June 8, 2021, Topaz closed a public offering and concurrent private placement equity financing for total net consideration of \$197.7 million (net of share issue costs of \$8.5 million) which resulted in the issuance of 14.3 million common shares. This financing resulted in Tourmaline's ownership interest being reduced from 50.8% to 45.2%.

Subsequent to the Topaz public offering and concurrent private placement equity financing, Tourmaline determined that, in accordance with IFRS, it no longer controlled Topaz. Due to the loss of control, Topaz will no longer be consolidated in the Company's financial statements subsequent to June 8, 2021. The Company retains significant influence over Topaz, resulting in Topaz being recorded on the Company's statement of financial position as an investment in Topaz and accounted for using the equity method subsequent to initial recognition.

Accordingly, on June 8, 2021, Tourmaline derecognized the assets and liabilities of Topaz, derecognized the associated NCI and recognized the non-controlling investment in Topaz at fair value with the residual amount recognized as a gain on the Company's consolidated statement of income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2021 and 2020. The fair value of the investment in Topaz was determined using the closing price of Topaz common shares on June 8, 2021 of \$14.97 per share.

On September 21, 2021, Tourmaline and Topaz closed a bought deal, secondary offering of Topaz common shares for net consideration of \$103.8 million (net of brokers fees of \$4.3 million) which resulted in the Company selling 7.0 million Topaz common shares representing 5.4% of the total Topaz common shares outstanding. The bought deal, secondary offering resulted in Tourmaline's ownership interest being reduced from 45.2% to 39.7%.

On October 26, 2021, Topaz completed a bought-deal equity financing which resulted in the issuance of 10.1 million Topaz common shares. Tourmaline did not participate in the bought-deal equity financing which resulted in Tourmaline's ownership interest being reduced from 39.7% to 36.8%.

Dividends

During the three and nine months ended September 30, 2021, the Company paid a cash dividend of \$0.17 and \$0.49 per common share totalling \$55.7 million and \$150.9 million, respectively, compared to \$0.12 and \$0.36 per common share totalling \$32.5 million and \$97.5 million for the same periods of the prior year. Additionally, during the nine months ended September 30, 2021, while Topaz was a controlled subsidiary, Topaz paid a cash dividend of \$0.20 per common share totalling \$22.5 million. The Topaz dividend paid in the first quarter of 2021 includes \$11.6 million which was paid to Tourmaline and eliminated on consolidation and \$10.9 million which was paid to outside investors and is included in dividends paid to NCI. Subsequent to June 8, 2021, for the three and nine months ended September 30, 2021, Topaz paid cash dividends of \$0.24 and \$0.44 per common share and Tourmaline received \$12.2 million and \$23.8 million, respectively, which was recorded as a deduction to the investment in Topaz.

On September 22, 2021, the Company declared a special dividend of \$0.75 per common share totalling \$247.2 million, payable on October 7, 2021. The special dividend is recorded as a dividend payable at September 30, 2021.

Capital management

Management continues to use internally generated cash flow to fund its 2021 exploration and development program and is dedicated to keeping a strong statement of financial position, which has proven to be very important, especially in times of volatile commodity prices. The significant increase in cash flow in 2021 has consistently been directed towards modest, sustainable dividend increases and continued debt reduction. On a go-forward basis, the Company intends to return the vast majority of cash flow less cash capital expenditures back to shareholders which will be achieved through continued modest and sustainable base dividend increases, special dividends when appropriate, and tactical share buybacks. Management's approach to capital management is further described in note 4(d) of the Company's annual consolidated financial statements.

SHARES AND STOCK OPTIONS OUTSTANDING

As at November 3, 2021, the Company has 330,115,388 common shares and 16,820,201 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⁾	\$ 3,134	\$ 5,192	\$ 4,459	\$ 1,100	\$ 13,885
Firm transportation agreements ⁽²⁾	717,689	1,493,152	1,271,391	4,254,145	7,736,377
Processing commitments ⁽³⁾	129,620	220,818	195,842	519,453	1,065,733
Capital commitments ⁽⁴⁾	74,250	148,500	–	–	222,750
Term debt ⁽⁵⁾	18,610	37,219	981,535	–	1,037,364
Senior unsecured notes ⁽⁶⁾	10,378	20,757	20,757	469,125	521,017
	\$ 953,681	\$ 1,925,638	\$ 2,473,984	\$ 5,243,823	\$10,597,126

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

(2) Includes firm transportation agreements acquired from Black Swan.

(3) Includes processing commitments and power commitments.

(4) Includes rig commitments.

(5) Includes interest expense at an annual rate of 1.96% being the fixed rate on the term debt at September 30, 2021.

(6) Includes interest expense at an annual rate of 2.31% being the average fixed rate on the notes.

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 4 of the Company's audited consolidated financial statements for the year ended December 31, 2020.

As at September 30, 2021, 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 (loss) and comprehensive income (loss). The contracts that the Company has in place at September 30, 2021 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and 2020.

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 September 30, 2021 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and 2020.

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, 2020.

ADDITIONAL ACCOUNTING POLICIES

The accounting policies and significant accounting judgments, estimates, and assumptions used in these unaudited interim condensed consolidated financial statements are consistent with those described in Notes 1 and 2 of the Company's consolidated financial statements for the year ended December 31, 2020 except for the following additional accounting policies noted below:

Consolidation

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is recognized at fair value immediately after control is lost.

Interests in equity-accounted investees

The Company's interests in equity-accounted investees comprises its ownership interest in its associate, Topaz.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and dividends paid of equity accounted investees, until the date on which significant influence ceases.

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 July 1, 2021 and ending on September 30, 2021 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, pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide, including COVID-19, or any other similar illnesses could have an adverse impact on the Company's results, business, financial condition or liquidity. On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The COVID-19 pandemic has negatively impacted the Canadian, U.S., and global economies; disrupted Canadian, U.S., and global supply chains; disrupted financial markets; contributed to a decrease in interest rates; resulted in ratings downgrades, credit deterioration and defaults in many industries; forced the closure of many businesses, led to loss of revenues, increased unemployment and bankruptcies; and necessitated the imposition of quarantines, physical distancing, business closures, travel restrictions, and sheltering-in-place requirements in Canada, the U.S., and other countries. If the pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on the Company's results, business, financial condition or liquidity, for a substantial period of time.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices as a result of: the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites; suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations; reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets; reduced commodity prices resulting in a reduction in the volumes and value of reserves; crude oil storage constraints resulting in the curtailment or shutting in of production; counterparties being unable to fulfill their contractual obligations on a timely basis or at all; the inability to deliver products to customers or otherwise get products to market caused by border restrictions, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate; and the ability to obtain additional capital including, but not limited

to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for the Company, including the need to provide enhanced safety measures for its employees and contractors; comply with rapidly changing regulatory guidance; address the risk of, attempted fraudulent activity and cybersecurity threat behaviour; and protect the integrity and functionality of the Company's systems, networks, and data as a larger number of employees work remotely. The Company is also exposed to human capital risks due to issues related to health and safety matters, and other environmental stressors as a result of measures implemented in response to the COVID-19 pandemic, as well as the potential for a proportion of the Company's employees, including key executives, to be unable to work effectively, because of illness, quarantines, sheltering-in-place arrangements, government actions or other restrictions in connection with the pandemic.

The extent to which the COVID-19 pandemic continues to impact the Company's results, business, financial condition or liquidity will depend on future developments in Canada, the U.S. and globally, including the development and widespread availability of efficient and accurate testing options, and effective treatment options or vaccines.

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash flow from operating activities (per GAAP)	\$ 543,855	\$ 290,795	\$ 1,788,657	\$ 798,610
Change in non-cash working capital	217,478	(10,872)	172,233	(9,792)
Cash flow	\$ 761,333	\$ 279,923	\$ 1,960,890	\$ 788,818

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue, excluding processing income	\$ 28.89	\$ 18.89	\$ 26.98	\$ 17.97
Royalties	(2.61)	(0.31)	(1.89)	(0.45)
Transportation costs	(4.17)	(4.56)	(4.17)	(4.50)
Operating expenses	(3.76)	(3.26)	(3.70)	(3.10)
Operating netback	\$ 18.35	\$ 10.76	\$ 17.22	\$ 9.92

Adjusted Working Capital

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

(000s)	As at September 30, 2021	As at December 31, 2020
Working capital (deficit)	\$ (591,736)	\$ 111,744
Fair value of financial instruments – short-term liability (net)	500,630	36,115
Lease liabilities – short-term	3,197	3,412
Decommissioning obligations – short-term	21,129	4,618
Unrealized foreign exchange in working capital - liability	(3,611)	1,450
Adjusted working capital (deficit)	\$ (70,391)	\$ 157,339

Net Debt

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

(000s)	As at September 30, 2021	As at December 31, 2020
Bank debt	\$ (946,740)	\$(1,942,259)
Senior unsecured notes	(447,959)	–
Adjusted working capital (deficit)	(70,391)	157,339
Net debt	\$ (1,465,090)	\$(1,784,920)

SELECTED QUARTERLY INFORMATION

(\$000s, unless otherwise noted)	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
PRODUCTION								
Natural gas (mcf)	197,475,909	174,322,330	172,588,310	146,464,921	130,086,424	129,693,070	134,195,958	132,456,603
Oil, condensate and NGL (bbls)	9,084,310	8,287,097	8,277,417	6,531,062	5,753,450	5,627,083	5,693,802	5,509,543
Oil equivalent (boe)	41,996,962	37,340,819	37,042,135	30,941,882	27,434,520	27,242,595	28,059,795	27,585,644
Natural gas (mcf/d)	2,146,477	1,915,630	1,917,648	1,592,010	1,413,983	1,425,199	1,474,681	1,439,746
Oil, condensate and NGL (bbls/d)	98,743	91,067	91,971	70,990	62,538	61,836	62,569	59,886
Oil equivalent (boe/d)	456,489	410,339	411,579	336,325	298,202	299,369	308,349	299,844
FINANCIAL								
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	1,213,376	921,278	1,005,264	688,374	518,061	443,553	524,915	579,588
Cash flow from operating activities	543,855	494,673	750,129	326,526	290,795	165,857	341,958	287,729
Per diluted share	1.66	1.64	2.51	1.18	1.07	0.61	1.26	1.06
Cash flow ⁽¹⁾	761,333	570,232	629,325	396,869	279,923	225,177	283,718	335,856
Per diluted share	2.32	1.89	2.11	1.44	1.03	0.83	1.05	1.24
Net earnings (loss)	361,057	420,849	247,837	629,191	4,826	20,106	(35,812)	61,340
Per basic share	1.12	1.41	0.84	2.28	0.02	0.07	(0.13)	0.23
Per diluted share	1.10	1.40	0.83	2.28	0.02	0.07	(0.13)	0.23
Total assets	14,923,735	13,153,137	12,728,515	12,790,200	11,246,517	11,239,383	11,106,254	11,180,610
Working capital (deficit)	(591,736)	(301,459)	(249,592)	111,744	(170,489)	112,170	(165,667)	(152,987)
Adjusted working capital (deficit) ⁽¹⁾	(70,391)	(86,363)	(165,236)	157,339	(153,625)	82,382	(268,397)	(136,675)
Cash capital expenditures	56,108	664,696	422,106	271,284	354,695	140,032	317,614	320,389
Dividends paid	55,739	47,656	58,395	48,991	39,306	36,663	36,666	32,525
Total outstanding shares (000s)	329,598	298,452	296,914	296,572	270,803	270,776	270,776	270,997
PER UNIT								
Natural gas (\$/mcf)	3.88	3.25	3.86	3.19	2.60	2.41	2.45	2.77
Oil and NGL (\$/bbl)	49.21	42.84	41.06	33.85	31.31	23.24	34.54	38.59
Revenue (\$/boe)	28.89	24.67	27.14	22.25	18.89	16.28	18.71	21.01
Operating netback (\$/boe) ⁽¹⁾	18.35	15.47	17.70	13.65	10.76	8.20	10.79	13.00

(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 290,865 boe per day in 2019 to 310,598 per day in 2020 and 426,300 boe per day in the first nine months of 2021. The production growth can be attributed primarily to the Company's exploration and development activities, and from property and corporate acquisitions.

The Company's cash flow was \$1,205.5 million in 2019, \$1,185.7 million in 2020 and forecast 2021 cash flow is \$3,060.0 million. Cash flow was relatively consistent between 2019 and 2020 primarily due to an increase in production and improved AECO and Station 2 natural gas prices which were offset by lower realized oil and liquids prices as well as lower prices realized at the US hubs where the Company sells a portion of its natural gas. The COVID-19 pandemic resulted in a large decrease in oil demand, which combined with other macro-economic conditions resulted in significantly lower oil and liquids prices as well as increased volatility in gas prices. The increase in the forecast 2021 cash flow reflects the significant improvement in forecast commodity prices as well as the significant increase in production for the year.

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.