

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(000s) (unaudited)</i>	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 210,930	\$ 220,168
Accounts receivable	564,450	363,640
Prepaid expenses and deposits	23,465	22,591
Fair value of financial instruments <i>(note 3)</i>	8,423	23,074
Total current assets	807,268	629,473
Long-term asset	4,020	4,758
Fair value of financial instruments <i>(note 3)</i>	1,060	2,385
Exploration and evaluation assets <i>(note 4)</i>	405,922	509,533
Property, plant and equipment <i>(note 5)</i>	12,948,780	11,632,033
Right-of-use asset <i>(note 6)</i>	11,496	12,018
Investment in Topaz <i>(note 11)</i>	745,189	–
<b>Total Assets</b>	<b>\$ 14,923,735</b>	<b>\$ 12,790,200</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 618,408	\$ 450,510
Dividends declared <i>(note 12)</i>	247,217	–
Lease liabilities <i>(note 6)</i>	3,197	3,412
Fair value of financial instruments <i>(note 3)</i>	509,053	59,189
Decommissioning obligations <i>(note 7)</i>	21,129	4,618
Total current liabilities	1,399,004	517,729
Bank debt <i>(note 8)</i>	946,740	1,942,259
Senior unsecured notes <i>(note 9)</i>	447,959	–
Lease liabilities <i>(note 6)</i>	8,606	8,763
Fair value of financial instruments <i>(note 3)</i>	180,162	48,361
Decommissioning obligations <i>(note 7)</i>	550,645	590,814
Deferred taxes	761,861	405,736
Shareholders' equity:		
Share capital <i>(note 12)</i>	7,441,460	6,328,115
Non-controlling interest <i>(note 10)</i>	–	467,443
Contributed surplus	284,469	307,152
Retained earnings	2,902,829	2,173,828
<b>Total shareholders' equity</b>	<b>10,628,758</b>	<b>9,276,538</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 14,923,735</b>	<b>\$ 12,790,200</b>

*Commitments (note 15).*

*Subsequent events (notes 3, 8 and 10).*

*See accompanying notes to the interim condensed consolidated financial statements.*

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

(000s) except per-share amounts (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Commodity sales from production (note 17)	\$ 1,323,203	\$ 545,092	\$ 3,344,548	\$ 1,512,642
Gain (loss) on risk management activities (note 17)	15,303	(38,180)	(7,636)	(95,088)
Marketing revenue (note 17)	13,195	10,305	40,530	38,269
Royalties	(109,423)	(8,596)	(219,746)	(36,900)
Other income	10,453	11,964	37,245	26,842
Realized gain (loss) on financial instruments	(125,130)	11,149	(196,994)	68,975
Unrealized gain (loss) on financial instruments (note 3)	(251,990)	(58,843)	(448,475)	(29,707)
	<b>875,611</b>	<b>472,891</b>	<b>2,549,472</b>	<b>1,485,033</b>
<b>Expenses:</b>				
Operating	157,854	89,370	430,932	256,084
Transportation	175,143	125,114	485,200	372,645
Marketing purchases	11,494	9,654	37,731	37,464
General and administration	21,313	15,182	65,442	48,550
Share-based payments	5,835	2,649	11,386	7,536
Depletion, depreciation, amortization and impairment (notes 4, 5 and 6)	276,506	209,588	795,499	921,886
Realized foreign exchange (gain) loss	(5,497)	1,962	(6,524)	(27,912)
Unrealized foreign exchange (gain) loss	(7,074)	1,123	(3,611)	60
(Income) on investment in Topaz (note 11)	(2,238)	–	(1,879)	–
(Gain) on loss of control of Topaz (note 10)	–	–	(321,189)	–
(Gain) on acquisitions and divestitures (note 5)	(244,343)	–	(244,343)	(122,006)
Total expenses	<b>388,993</b>	<b>454,642</b>	<b>1,248,644</b>	<b>1,494,307</b>
<b>Income (loss) from operations</b>	<b>486,618</b>	<b>18,249</b>	<b>1,300,828</b>	<b>(9,274)</b>
Finance expenses	18,755	11,817	49,065	41,042
<b>Income (loss) before taxes</b>	<b>467,863</b>	<b>6,432</b>	<b>1,251,763</b>	<b>(50,316)</b>
Deferred tax expense (recovery)	106,806	2,679	218,603	(37,748)
<b>Net income (loss) and comprehensive income (loss) before non-controlling interest</b>	<b>361,057</b>	<b>3,753</b>	<b>1,033,160</b>	<b>(12,568)</b>
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	361,057	4,826	1,029,743	(10,880)
Non-controlling interest (note 10)	–	(1,073)	3,417	(1,688)
	<b>\$ 361,057</b>	<b>\$ 3,753</b>	<b>\$ 1,033,160</b>	<b>\$ (12,568)</b>
<b>Net income (loss) per share attributable to common shareholders (note 13)</b>				
Basic	\$ 1.12	\$ 0.02	\$ 3.37	\$ (0.04)
Diluted	\$ 1.10	\$ 0.02	\$ 3.32	\$ (0.04)

See accompanying notes to the interim condensed consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(000s) (unaudited)</i>	Share Capital	Contributed Surplus	Retained Earnings	Non-Controlling Interest	Total Equity
Balance at December 31, 2020	\$ 6,328,115	\$ 307,152	\$ 2,173,828	\$ 467,443	\$ 9,276,538
Issue of common shares on corporate and property acquisitions ( <i>notes 5 and 12</i> )	939,580	–	–	–	939,580
Issue of Topaz common shares to NCI ( <i>note 10</i> )	–	–	21,421	210,423	231,844
Share issue costs, net of tax on issuance of Topaz common shares ( <i>note 10</i> )	–	–	(2,962)	(3,593)	(6,555)
Share-based payments	–	11,386	–	–	11,386
Capitalized share-based payments	–	8,147	–	–	8,147
Options exercised ( <i>note 12</i> )	178,258	(38,706)	–	–	139,552
Purchase of common shares under NCIB ( <i>note 12</i> )	(4,493)	(2,052)	–	–	(6,545)
Dividends paid ( <i>note 12</i> )	–	–	(150,898)	(10,892)	(161,790)
Dividends declared ( <i>note 12</i> )	–	–	(247,217)	–	(247,217)
Income attributable to common shareholders	–	–	1,029,743	–	1,029,743
Income attributable to non-controlling interest	–	–	–	3,417	3,417
Loss of control of Topaz ( <i>note 10</i> )	–	(1,458)	78,914	(666,798)	(589,342)
<b>Balance at September 30, 2021</b>	<b>\$ 7,441,460</b>	<b>\$ 284,469</b>	<b>\$ 2,902,829</b>	<b>\$ –</b>	<b>\$10,628,758</b>

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

See accompanying notes to the interim condensed consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOW

(000s) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net income (loss)	\$ 361,057	\$ 4,826	\$ 1,029,743	\$ (10,880)
Items not involving cash:				
Depletion, depreciation, amortization and impairment	276,506	209,588	795,499	921,886
Accretion (note 7)	3,233	1,254	8,786	3,390
Lease interest expense (note 6)	85	89	265	201
Share-based payments	5,835	2,649	11,386	7,536
Deferred tax expense (recovery)	106,806	2,679	218,603	(37,748)
Unrealized (gain) loss on financial instruments (note 3)	251,990	58,843	448,475	29,707
(Gain) on loss of control of Topaz (note 10)	–	–	(321,189)	–
(Gain) on acquisitions and divestitures	(244,343)	–	(244,343)	(122,006)
Amortization on long-term asset	246	180	738	552
Non-controlling interest (note 10)	–	(1,073)	3,417	(1,688)
Unrealized foreign exchange (gain) loss	(7,074)	1,123	(3,611)	60
(Income) on investment in Topaz (note 11)	(2,238)	–	(1,879)	–
Decommissioning expenditures (note 7)	(2,981)	(235)	(8,841)	(2,192)
Dividends received from Topaz (note 11)	12,211	–	23,841	–
Changes in non-cash operating working capital	(217,478)	10,872	(172,233)	9,792
Total cash flow from operating activities	543,855	290,795	1,788,657	798,610
<b>Financing:</b>				
Issue of common shares (note 12)	100,920	347	139,552	347
Purchase of common shares under NCIB (note 12)	(6,545)	–	(6,545)	(2,153)
Issuance of Topaz common shares to NCI (note 10)	–	16,163	197,336	141,143
Lease payments (note 6)	(1,016)	(677)	(3,000)	(2,653)
Dividends paid (note 12)	(55,739)	(39,306)	(161,790)	(112,635)
(Decrease) in cash on loss of control of Topaz (note 10)	–	–	(177,357)	–
Increase (decrease) in bank debt	(792,842)	(137,762)	(1,322,323)	10,173
Increase in senior unsecured notes	199,127	–	447,959	–
Total cash flow from (used in) financing activities	(556,095)	(161,235)	(886,168)	34,222
<b>Investing:</b>				
Exploration and evaluation (note 4)	–	(1,377)	–	(5,046)
Property, plant and equipment (note 5)	(391,826)	(239,864)	(1,014,766)	(654,917)
Property acquisitions (note 5)	(54,482)	(113,454)	(519,140)	(152,613)
Proceeds from divestitures (note 5)	390,200	–	390,996	235
Corporate acquisitions (note 5)	–	–	–	(27,072)
Proceeds from sale of Topaz common shares (note 11)	103,824	–	103,824	–
Changes in non-cash investing working capital	175,454	90,279	127,359	21,382
Total cash flow from (used in) investing activities	223,170	(264,416)	(911,727)	(818,031)
<b>Changes in cash</b>	<b>210,930</b>	<b>(134,856)</b>	<b>(9,238)</b>	<b>14,801</b>
<b>Cash, beginning of period</b>	<b>–</b>	<b>149,657</b>	<b>220,168</b>	<b>–</b>
<b>Cash, end of period</b>	<b>\$ 210,930</b>	<b>\$ 14,801</b>	<b>\$ 210,930</b>	<b>\$ 14,801</b>

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2021 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

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## Corporate Information:

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

These unaudited interim condensed consolidated financial statements reflect only the Company’s proportionate interest in such activities. The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 3, 2021.

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

## 1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. These unaudited interim condensed consolidated financial statements do not include all of the information and disclosure required in the annual financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2020.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars and include the accounts of Tourmaline Oil Corp., which has a functional currency of Canadian dollars. Tourmaline Oil Corp. also includes its 100% owned subsidiary Tourmaline Oil Marketing Corp., which has a functional currency of US dollars.

On January 1, 2021, the Company’s subsidiaries Polar Star Canadian Oil and Gas Inc. (“Polar Star”), Chinook Energy Inc. (“Chinook”), Modern Resources Inc. (“Modern”), and Jupiter Resources Inc. (“Jupiter”) were amalgamated into Tourmaline. On July 15, 2021, the Company’s newly acquired subsidiary Black Swan Energy Ltd. (“Black Swan”) was amalgamated into Tourmaline.

On June 8, 2021, Tourmaline determined it no longer controlled Topaz Energy Corp. (“Topaz”) due to its ownership interest reducing to 45.2% and as such it derecognized the assets and liabilities of Topaz, derecognized the NCI and recorded the non-controlling investment at fair value (note 10). As a result of the reduced ownership, Tourmaline now accounts for Topaz as an equity investment rather than Topaz being consolidated into Tourmaline.

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.

## **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.

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the COVID-19 pandemic, the Company is unable at this time to predict its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

## **Capital management:**

The Company is committed to maintaining its strong statement of financial position and financial liquidity. Management intends 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 net debt reduction.

## 2. DETERMINATION OF FAIR VALUE

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

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

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

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

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

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

## 3. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 4 of the Company's 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, foreign exchange and interest rate risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity and interest rate contracts to be effective economic hedges. As a result, all such contracts are recorded on the interim consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the interim consolidated statement of income (loss) and comprehensive income (loss).

The Company has the following financial derivative contracts in place as at September 30, 2021 <sup>(1)</sup>:

		2021	2022	2023	2024	Fair Value (000s)
<b>Gas</b>						
AECO swaps <sup>(2)</sup>	<i>mmbtu/d</i>	139,561	89,601	44,262	18,917	\$ (122,832)
	<i>CAD\$/mmbtu</i>	\$ 2.01	2.13	2.27	2.26	
NYMEX swaps	<i>mmbtu/d</i>	231,009	198,529	108,329	–	\$ (216,712)
	<i>USD\$/mmbtu</i>	\$ 2.94	\$ 3.03	\$ 3.07		
NYMEX swaps - other	<i>mmbtu/d</i>	–	5,000	–	–	\$ (4,764)
	<i>USD\$/mmbtu</i>		\$ 3.69			
AECO Basis swaps	<i>mmbtu/d</i>	58,321	14,074	–	–	\$ 5,893
	<i>CAD\$/mmbtu</i>	\$ (1.80)	\$ (1.35)			
Basis differentials – other	<i>mmbtu/d</i>	37,500	37,500	37,500	27,500	\$ (46,332)
	<i>USD\$/mmbtu</i>	\$ 0.29	\$ 0.29	\$ 0.29	\$ 0.28	
AECO financial collars	<i>mmbtu/d</i>	18,956	37,188	16,087	3,535	\$ (36,456)
	<i>CAD\$/mmbtu</i>	\$ 2.14 -	\$ 2.14 -	\$ 2.27 -	\$ 2.41 -	
		\$ 2.56	\$ 2.53	\$ 2.73	\$ 2.85	
NYMEX financial collars	<i>mmbtu/d</i>	25,033	3,625	–	–	\$ (11,392)
	<i>CAD\$/mmbtu</i>	\$ 3.30 -	\$ 3.61 -			
		\$ 3.81	\$ 8.18			
Financial put options	<i>mmbtu/d</i>	4,700	–	–	–	\$ (228)
	<i>CAD\$/mmbtu</i>	\$ 3.50				
Call options (writer) <sup>(3)</sup>	<i>mmbtu/d</i>	29,700	69,932	20,000	–	\$ (47,536)
	<i>USD\$/mmbtu</i>	\$ 3.39	\$ 3.96	\$ 4.00		

<b>Oil</b>						
Financial swaps	<i>bbls/d</i>	14,174	9,156	248	–	\$ (90,832)
	<i>USD\$/bbl</i>	\$ 52.58	\$ 59.61	\$ 64.71		
Financial swaps	<i>bbls/d</i>	2,800	791	650	249	\$ (18,276)
	<i>CAD\$/bbl</i>	\$ 64.72	\$ 65.84	\$ 64.09	\$ 63.95	
Financial collars	<i>bbls/d</i>	2,500	248	–	–	\$ (6,164)
	<i>USD\$/bbl</i>	\$ 46.84 - \$ 58.96	\$ 55.00 - \$ 65.70			
Financial collars	<i>bbls/d</i>	1,700	1,564	400	–	\$ (24,727)
	<i>CAD\$/bbl</i>	\$ 52.06 - \$ 60.09	\$ 52.01 - \$ 61.77	\$ 58.25 - \$ 70.24		
NYMEX call options	<i>bbls/d</i>	6,000	–	2,000	–	\$ (12,719)
	<i>USD\$/bbl</i>	\$ 80.83		\$ 60.00		
Propane Financial Swaps <sup>(4)</sup>	<i>bbls/d</i>	2,000	586	–	–	\$ (10,253)
	<i>USD\$/bbl</i>	\$ 33.81	\$ 41.31			
Propane Financial Swaps <sup>(4)</sup>	<i>bbls/d</i>	900	49	–	–	\$ (5,614)
	<i>CAD\$/bbl</i>	\$ 38.76	\$ 50.00			
<b>Total fair value</b>						<b>\$ (648,944)</b>

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

(2) These deals are 7A underlying.

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

(4) Propane Financial Swaps include OPIS Conway, Argus FEI, and Baltic LPG Freight Financial Swap transactions.

The Company has entered into the following financial commodity derivative contracts subsequent to September 30, 2021.

Type of Contract	Quantity	Time Period	Contract Price
NYMEX swap	10,000 mmbtu/d	April - December 2022	USD \$4.05/mmbtu average
NYMEX swap	20,000 mmbtu/d	January - December 2023	USD \$3.57/mmbtu average
NYMEX swap	10,000 mmbtu/d	January - December 2024	USD \$3.23/mmbtu average
NYMEX oil swap	1,000 bbls/d	January – June 2022	USD \$64.72/bbl average
NYMEX oil swap	1,000 bbls/d	July – December 2022	USD \$77.60/bbl average
NYMEX oil swap	1,000 bbls/d	January – December 2023	USD \$65.00/bbl average
NYMEX call option	1,000 bbls/d	January – June 2022	USD \$74.60/bbl average

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

	2021	2022	2023	2024	2025	2026	2027	Fair Value
Effective interest rate <sup>(1)</sup>	1.84%	1.87%	1.98%	2.02%	1.42%	1.10%	1.10%	
Notional amount hedged (000s)	\$ 750,000	\$ 730,570	\$ 558,802	\$ 224,733	\$ 50,067	\$ 25,000	\$ 6,319	\$ (13,958)

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

The Company has not entered into any interest rate derivative contracts subsequent to September 30, 2021.

The Company has the following financial foreign currency derivative contracts in place at September 30, 2021:

		2021	2022	2023	Fair Value (000s)
Costless collar <sup>(1)</sup>	<i>\$USD(000s) Monthly</i>	\$ 43,000	\$ 27,000	\$ 3,000	\$ (15,460)
	<i>\$CAD/\$USD</i>	\$ 1.244 – \$ 1.307	\$ 1.215 – \$ 1.305	\$ 1.250 – \$ 1.327	
Average rate forward	<i>\$USD(000s) Monthly</i>	\$ 11,000	\$ 6,750	\$ 1,000	\$ (973)
	<i>\$CAD/\$USD</i>	\$ 1.261	\$ 1.261	\$ 1.28	
Average rate puts	<i>\$USD(000s) Monthly</i>	\$ 1,500	\$2,000	–	\$ (397)
	<i>\$CAD/\$USD</i>	\$ 1.250	\$1.200	–	
<b>Total fair value</b>					<b>\$ (16,830)</b>

(1) A portion of these financial collars have a European call writer option at year end that if called would result in an average rate forward for the following year in the following amounts, \$1.0 million/month at \$1.30 for 2022 and \$18.0 million/month at \$1.31 for 2023. Disclosure also includes short term trading strategies.

The Company has not entered into any foreign currency derivative contracts subsequent to September 30, 2021.

The following table provides a reconciliation of the fair value of the Company's financial instruments to the statement of financial position at September 30, 2021.

	Fair Value of Financial Instruments (000s)			
	Commodity Contracts	Interest Rate Swaps	Foreign Currency Contracts	Total
Current asset	\$ 6,190	\$ 122	\$ 2,111	\$ 8,423
Long-term asset	109	549	402	1,060
Current liability	(486,472)	(6,336)	(16,245)	(509,053)
Long-term liability	(168,771)	(8,293)	(3,098)	(180,162)
<b>Total fair value of financial instruments</b>	<b>\$ (648,944)</b>	<b>\$ (13,958)</b>	<b>\$ (16,830)</b>	<b>\$ (679,732)</b>

The following table provides a summary of the unrealized gains (losses) on financial instruments recorded in the interim condensed consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2021 and 2020:

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Unrealized gain (loss) on financial instruments – commodity contracts	\$ (238,471)	\$ (60,014)	\$ (445,819)	\$ 7,109
Unrealized gain (loss) on financial instruments – interest rate swaps	2,844	1,171	15,188	(34,072)
Unrealized (loss) on financial instruments – foreign currency	(16,363)	–	(17,844)	(2,744)
<b>Total unrealized gain (loss) on financial instruments</b>	<b>\$ (251,990)</b>	<b>\$ (58,843)</b>	<b>\$ (448,475)</b>	<b>\$ (29,707)</b>

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

The Company has the following physical commodity contracts in place at September 30, 2021 <sup>(1)(9)</sup>:

		2021	2022	2023	2024
<b>Gas</b>					
Fixed price <sup>(2)</sup>	<i>mcf/d</i>	473,271	256,827	21,025	1,243
	<i>CAD\$/mcf</i>	\$ 3.40	\$ 3.51	\$ 2.88	\$ 3.17
Basis differentials - AECO <sup>(3)</sup>	<i>mmbtu/d</i>	201,250	233,363	178,315	110,833
	<i>USD\$/mmbtu</i>	\$ (0.71)	\$ (0.70)	\$ (0.73)	\$ (0.70)
Basis differentials - Dawn	<i>mmbtu/d</i>	5,000	20,000	20,000	15,000
	<i>USD\$/mmbtu</i>	\$ (0.09)	\$ (0.10)	\$ (0.08)	\$ (0.06)
Basis differentials – Stn 2 <sup>(4)</sup>	<i>mcf/d</i>	40,900	25,578	–	–
	<i>CAD\$/mcf</i>	\$ (0.02)	\$ 0.04		
Basis differentials – Hunt <sup>(5)</sup>	<i>mmbtu/d</i>	20,000	20,000	16,658	–
	<i>USD\$/mmbtu</i>	\$ (0.50)	\$ (0.50)	\$ (0.50)	
Basis differentials – Other <sup>(6)</sup>	<i>mcf/d</i>	45,000	50,000	47,514	62,500
	<i>USD\$/mcf</i>	\$ 0.22	\$ 0.30	\$ 0.16	\$ (0.09)
<b>Oil</b>					
Basis differentials <sup>(7)</sup>	<i>bbls/d</i>	3,591	1,552	–	–
	<i>USD\$/bbl</i>	\$ (5.17)	\$ (4.67)		
Condensate differentials <sup>(8)</sup>	<i>bbls/d</i>	6,669	4,914	–	–
	<i>USD\$/bbl</i>	\$ (0.67)	\$ (1.24)		

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

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

(3) A portion of these basis deals have a cap on NYMEX, 52.5 mmcf/d at USD\$4.47/mcf from 2021-2022 and 43.3 mmcf/d at USD\$4.49/mcf from 2023-2024.

(4) These volumes are priced at a basis to 7A.

(5) A portion of these basis deals have a cap on Hunt of \$3.00 US/Mmbtu, delivered at Stn2.

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

(7) Tourmaline sells physical crude at a fixed differential to NYMEX.

(8) Tourmaline sells physical condensate at a fixed differential to NYMEX.

(9) Not included above are incremental deals that Tourmaline has entered into to sell 20,000 mmbtu/d priced off Chicago GDD that extend into 2030; 5,000 mmbtu/d priced off Chicago GDD that extends to 2023; and 30,000 mmbtu/d priced off Chicago GDD that extends into 2027. Tourmaline reserves the right to periodically fix the price or lock in the basis in each market.

The Company has entered into the following physical contracts subsequent to September 30, 2021:

Type of Contract	Quantity	Time Period	Contract Price
Gas Fixed Price	20,500 GJ/d	November 2021	CAD \$5.351/GJ average
Gas Fixed Price	8,000 GJ/d	December 2021	CAD \$5.694/GJ average
Gas Fixed Price	10,000 GJ/d	November 2021 – March 2022	CAD \$5.00/GJ average
Gas Fixed Price	2,500 mmbtu/d	November 2021 – March 2022	USD \$6.14/mmbtu average
Gas Fixed Price	10,000 mmbtu/d	January 2022	USD \$8.025/mmbtu average
Gas Fixed Price	35,000 GJ/d	April – October 2022	CAD \$3.564/GJ average
Gas Fixed Price	10,000 GJ/d	April – December 2022	CAD \$3.52/GJ average
Gas Fixed Price	20,000 GJ/d	November 2022 – March 2023	CAD \$3.938/GJ average
Gas Fixed Price	15,000 GJ/d	January – December 2023	CAD \$3.34/GJ average
Condensate differentials	1,061 bbls/d	January – March 2022	USD \$3.25/bbl average

## 4. EXPLORATION AND EVALUATION ASSETS

(000s)

As at December 31, 2019	\$ 621,656
Capital expenditures	6,633
Transfers to property, plant and equipment ( <i>note 5</i> )	(90,912)
Acquisitions	20,949
Divestitures	(6,240)
Expired mineral leases	(42,553)
As at December 31, 2020	\$ 509,533
Transfers to property, plant and equipment ( <i>note 5</i> )	(40,415)
Divestitures	(3,600)
Expired mineral leases	(27,120)
Loss of control of Topaz ( <i>note 10</i> )	(32,476)
<b>As at September 30, 2021</b>	<b>\$ 405,922</b>

Exploration and evaluation (“E&E”) assets consist of the Company’s exploration projects which are pending the determination of proven and/or probable reserves. Additions represent the Company’s share of costs on E&E assets during the year. Expired mineral lease expenses have been included in the “Depletion, Depreciation, Amortization and Impairment” line item on the interim statements of income (loss) and comprehensive income (loss).

### Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2021 and December 31, 2020, the Company determined that no internal or external indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

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

### Cost

(000s)

As at January 1, 2020	\$ 15,085,743
Capital expenditures	912,551
Transfers from exploration and evaluation (note 4)	90,912
Change in decommissioning liabilities (note 7)	208,134
Corporate acquisitions	1,085,062
Acquisitions	173,013
Divestitures	(230)
As at December 31, 2020	17,555,185
Capital expenditures	1,022,913
Transfers from exploration and evaluation (note 4)	40,415
Change in decommissioning liabilities (note 7)	(53,950)
Corporate acquisition	1,438,462
Property acquisitions	614,107
Divestitures	(148,024)
Loss of control of Topaz (note 10)	(1,618,413)
<b>As at September 30, 2021</b>	<b>\$ 18,850,695</b>

### Accumulated Depletion, Depreciation, Amortization and Impairment

(000s)

As at January 1, 2020	\$ 4,830,553
Depletion, depreciation and amortization	842,599
Impairment expense	250,000
As at December 31, 2020	5,923,152
Depletion, depreciation and amortization	765,494
Divestitures	(3,315)
Loss of control of Topaz (note 10)	(783,416)
<b>As at September 30, 2021</b>	<b>\$ 5,901,915</b>

### Net Book Value

(000s)

As at December 31, 2020	\$ 11,632,033
<b>As at September 30, 2021</b>	<b>\$ 12,948,780</b>

Future development costs of \$11.1 billion were included in the depletion calculation at September 30, 2021 (December 31, 2020 – \$8.8 billion).

## Capitalization of G&A and Share-Based Payments

A total of \$28.2 million in G&A expenditures have been capitalized and included in PP&E for the nine months ended September 30, 2021 (December 31, 2020 – \$32.5 million). Also included in PP&E are non-cash share-based payments of \$8.1 million (December 31, 2020 - \$7.2 million). Borrowing costs on specified projects have been capitalized and included in PP&E at September 30, 2021 of \$0.6 million (December 31, 2020 – nil).

## Impairment Assessment

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment or reversal of impairment. At September 30, 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 any indicators of impairment reversal.

The Company recorded an aggregate impairment charge of \$250.0 million related to the Spirit River CGU for the year ended December 31, 2020 as a result of an impairment test performed at March 31, 2020. The impairment charge taken was reaffirmed at December 31, 2020. The impairment was a result of the material decrease in the forecasted oil and gas commodity prices. The decrease in the forecasted oil and gas commodity prices resulted in a significant drop in the discounted cash flows from proved and probable oil and gas reserves in the Spirit River CGU. There were no impairments recorded in the Company’s other CGUs. The impairment charge taken on the Spirit River CGU at March 31, 2020, is the only historical impairment charge taken by the Company.

At December 31, 2020, the Company identified indicators of impairment on all of its CGUs due to a decrease in the expected future cash flows due to a decrease in natural gas sales point diversification premiums since December 31, 2019 along with the significant commodity price volatility throughout 2020 and the continuing economic uncertainty surrounding the impact of COVID-19. The Company performed impairment tests and determined that there was no impairment or reversal of impairment to PP&E at December 31, 2020.

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

## Corporate Acquisition

### Black Swan Energy Ltd. (“Black Swan”)

On July 15, 2021, the Company acquired all of the issued and outstanding shares of Black Swan. As consideration, 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 unaudited interim consolidated statement of income (loss) and comprehensive income (loss).

Results from operations for Black Swan are included in the Company's unaudited interim consolidated financial statements from the closing date of the transaction. The estimated acquisition date fair value attributed to the PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2020 by independent third-party reserve evaluators and internally updated to reflect activity up to July 15, 2021. The estimated proved and probable oil and gas reserves and the related cash flows were discounted at a rate based on what a market participant would have paid, as well as market metrics in the prevailing area at that time. The acquisition has been accounted for using the purchase method based on estimated fair values as follows, using discount rates based on what a market participant would have paid:

(000s)	Black Swan
Fair value of net assets acquired:	
Working capital	\$ 10,235
Property, plant and equipment	1,438,462
Right-of-use assets	1,343
Financial instruments (net)	(151,166)
Lease liabilities	(1,343)
Decommissioning obligations	(10,333)
Bank debt	(345,983)
Deferred income tax liability	(44,735)
<b>Total</b>	<b>\$ 896,480</b>
Consideration:	
Shares issued	\$ 896,480

Included in the Company's unaudited interim consolidated statements of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2021, are the following amounts relating to Black Swan since July 15, 2021:

(000s)	Black Swan
Oil and natural gas sales	\$ 118,128
Net income (loss) and comprehensive income (loss) attributable to common shareholders <sup>(1)</sup>	\$ (44,007)

*(1) Net income (loss) and comprehensive income (loss) attributable to common shareholders includes an unrealized loss on financial instruments of \$99.4 million.*

If the Company had acquired Black Swan on January 1, 2021, the pro-forma results of the oil and gas sales and net income and comprehensive income for the nine months ended September 30, 2021 would have been as follows:

(000s)	As Stated	Black Swan	Pro-forma nine months ended September 30, 2021
Oil and natural gas sales	\$ 3,344,548	\$ 217,582	\$ 3,562,130
Net income (loss) and comprehensive income (loss) attributable to common shareholders <sup>(1)</sup>	\$ 1,029,743	\$ (36,856)	\$ 992,887

*(1) The Black Swan Net income (loss) and comprehensive income (loss) attributable to common shareholders includes an unrealized loss on financial instruments of \$94.7 million.*

## **Acquisitions of Oil and Natural Gas Properties**

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 the assets of 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 Martin 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 of Oil and Natural Gas Properties**

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 unaudited interim consolidated statements of income (loss) and comprehensive income (loss) 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 unaudited interim consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2021.

### Total Acquisitions and Dispositions of Oil and Natural Gas Properties

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). The Company removed \$0.2 million in decommissioning liabilities as a result of these dispositions (December 31, 2020 - nil).

## 6. LEASES

### Right-of-Use Assets

<i>(000s)</i>	As at September 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 12,018	\$ 10,831
Additions	1,354	2,704
Modifications	(334)	–
Right-of-use assets acquired from corporate acquisitions ( <i>note 5</i> )	1,343	1,701
Depreciation	(2,885)	(3,218)
Balance, end of period	\$ 11,496	\$ 12,018

### Lease Liabilities

<i>(000s)</i>	As at September 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 12,175	\$ 10,879
Additions	1,354	2,704
Modifications	(334)	–
Lease liabilities acquired from corporate acquisitions	1,343	1,701
Lease interest expense	265	289
Lease payments	(3,000)	(3,398)
Balance, end of period	\$ 11,803	\$ 12,175
Current lease liabilities	\$ 3,197	\$ 3,412
Long-term lease liabilities	\$ 8,606	\$ 8,763

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

## 7. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total inflated but undiscounted amount of cash flow required to settle its decommissioning obligations is approximately \$931.4 million (December 31, 2020 – \$783.4 million). A risk-free rate of 1.98% (December 31, 2020 – 1.21%) and an inflation rate of 1.73% (December 31, 2020 – 1.49%) were used to calculate the decommissioning obligations. The decommissioning obligations at September 30, 2021 have been reduced by approximately \$75.3 million reflecting the change in the risk-free rate and the inflation rate in 2021.

<i>(000s)</i>	As at September 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 595,432	\$ 321,863
Obligation incurred	21,384	16,160
Obligation incurred on corporate acquisitions ( <i>note 5</i> )	10,333	50,731
Obligation incurred on property acquisitions ( <i>note 5</i> )	24,901	15,850
Obligation divested	(213)	-
Obligation settled	(8,841)	(6,569)
Accretion expense	8,786	5,423
Change in future estimated cash outlays	(75,334)	191,974
Loss of control of Topaz ( <i>note 10</i> )	(4,674)	-
Balance, end of period	\$ 571,774	\$ 595,432
Current decommissioning obligations	\$ 21,129	\$ 4,618
Long-term decommissioning obligation	\$ 550,645	\$ 590,814

## 8. BANK DEBT

<i>(000s)</i>	As at September 30, 2021	As at December 31, 2020
Revolving credit facility	\$ -	\$ 994,948
Term debt	950,000	949,495
Debt issue costs	(3,260)	(2,184)
Bank debt	\$ 946,740	\$ 1,942,259

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.

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 our U.S. dollar borrowings to be used at our option. We do not expect this change to have a material impact to the Company.

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 (note 9). The effective interest rate for the nine months ended September 30, 2021 was 1.75% (nine months ended September 30, 2020 – 2.23%). 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. The aggregate borrowing capacity of the Company was reduced from \$3.3 billion to \$3.1 billion.

## 9. SENIOR UNSECURED NOTES

(000s)	As at September 30, 2021
Senior unsecured notes	\$ 450,000
Debt issue costs	(2,041)
Senior unsecured notes	\$ 447,959

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, 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.

## 10. NON-CONTROLLING INTEREST

At December 31, 2020, the Company owned 51.7% of Topaz, a royalty and infrastructure energy company.

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. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for by Topaz 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%.

(000s)	
Carrying amount of NCI disposed	\$ 20,812
Consideration paid by NCI on issuance of Topaz common shares	25,981
Increase in equity attributable to shareholders of Tourmaline	\$ 5,169

On June 8, 2021, Topaz closed a public offering and concurrent private placement equity financing for 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 representing 12.5% of the total common shares outstanding. The public offering and concurrent private placement resulted in Tourmaline's ownership interest being reduced from 50.8% to 45.2%.

(000s)	
Carrying amount of NCI disposed	\$ 184,517
Consideration paid by NCI on issuance of Topaz common shares	197,725
Increase in equity attributable to shareholders of Tourmaline	\$ 13,208

Subsequent to the Topaz public offering and concurrent private placement, 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 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.

(000s)	
Carrying amount of NCI derecognized	\$ 666,798
Net asset value of Topaz derecognized	(1,216,107)
Fair value of investment in Topaz	870,498
Gain recognized on loss of control	\$ 321,189

The net asset value of Topaz on June 8, 2021, was as follows:

(000s)	
Cash	\$ 177,357
Working capital	24,934
E&E	32,476
PP&E	951,285
Deferred income tax asset	55,908
Fair value of financial instruments	(2,000)
Bank debt	(19,179)
Decommissioning obligations	(4,674)
Net asset value of Topaz	\$ 1,216,107

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

(000s)	As at September 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 467,443	\$ 181,571
Share of subsidiary's net income for the period	3,417	242
Topaz dividends paid to NCI	(10,892)	(25,988)
Carrying amount of NCI disposed	206,830	311,618
Loss of control of Topaz	(666,798)	–
Balance, end of period	\$ –	\$ 467,443

## 11. INVESTMENT IN TOPAZ

At September 30, 2021, the Company owned 39.7% of the outstanding common shares of its associate Topaz. A reconciliation of the investment in Topaz is provided below:

<i>(000s)</i>	As at September 30, 2021
Balance, beginning of period	\$ –
Fair value of investment in Topaz recognized on loss of control ( <i>note 10</i> )	870,498
Income on investment in Topaz	1,879
Dividends received from Topaz	(23,841)
Divestitures of Topaz common shares	(103,347)
Balance, end of period	\$ 745,189

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 common shares outstanding. The bought deal, secondary offering resulted in Tourmaline's ownership interest being reduced from 45.2% to 39.7%. At September 30, 2021, Tourmaline owned 51.1 million common shares of Topaz.

Subsequent to June 8, 2021, for the three and nine months ended September 30, 2021, Topaz paid a cash dividend 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 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%.

## 12. SHARE CAPITAL

### (a) Authorized

Unlimited number of Common Shares without par value.

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

### (b) Common Shares Issued

<i>(000s) except share amounts</i>	As at September 30, 2021		As at December 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	296,571,516	\$ 6,328,115	270,997,159	\$ 5,886,977
Issued on corporate and property acquisitions ( <i>note 5</i> )	27,250,000	939,580	25,700,000	444,402
Purchase of common shares under NCIB	(200,000)	(4,493)	(221,600)	(4,814)
For cash on exercise of stock options	5,976,853	139,552	95,957	1,261
Contributed surplus on exercise of stock options	–	38,706	–	289
Balance, end of period	329,598,369	\$ 7,441,460	296,571,516	\$ 6,328,115

## 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 shares for cancellation at an average price of \$32.73 per common share for a total of \$6.5 million. Contributed surplus was decreased by \$2.1 million, representing the excess of the average carrying value of the common shares over their purchase price.

## Dividends

During the three and nine months ended September 30, 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, respectively, 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 dividends paid include \$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.

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 and recorded as a dividend payable at September 30, 2021.

## 13. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) attributable to shareholders of the Company for the period (000s)	\$ 361,057	\$ 4,826	\$ 1,029,743	\$ (10,880)
Weighted average number of common shares – basic	322,678,243	270,781,944	305,742,262	270,832,477
Earnings (loss) per share – basic	\$ 1.12	\$ 0.02	\$ 3.37	\$ (0.04)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) attributable to shareholders of the Company for the period (000s)	\$ 361,057	\$ 4,826	\$ 1,029,743	\$ (10,880)
Weighted average number of common shares – diluted	328,272,905	271,129,740	309,744,281	270,832,477
Earnings (loss) per share – fully diluted	\$ 1.10	\$ 0.02	\$ 3.32	\$ (0.04)

There were 4,931,825 and 6,899,925 options excluded from the weighted-average share calculations for the three and nine months ended September 30, 2021 because they were anti-dilutive (three and nine months ended September 30, 2020 – 17,733,818 and 21,270,265 options were anti-dilutive).

## 14. SHARE-BASED PAYMENTS

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 28,015,861 shares of common stock, which represents 8.5% of the current outstanding common shares. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is seven years. Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

	Nine Months Ended September 30,			
	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of period	18,324,711	\$ 22.11	19,148,068	\$ 24.94
Granted	5,256,825	31.37	3,729,900	17.02
Exercised	(5,976,853)	23.35	(27,120)	12.81
Expired	(214,164)	27.43	(1,201,000)	37.50
Forfeited	(135,800)	28.22	(379,583)	28.70
Stock options outstanding, end of period	17,254,719	\$ 24.38	21,270,265	\$ 22.79

The average trading price of the Company's common shares was \$28.76 during the nine months ended September 30, 2021 (nine months ended September 30, 2020 – \$13.29).

The following table summarizes stock options outstanding and exercisable at September 30, 2021:

Range of Exercise Price	Number Outstanding at Period End	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Period End	Weighted Average Exercise Price
\$9.39 - \$17.38	2,735,591	4.98	\$ 12.93	1,157,611	\$ 12.85
\$17.39 - \$22.04	3,609,764	5.71	17.91	1,030,416	18.18
\$22.05 - \$26.86	3,995,573	3.62	23.88	3,788,073	23.92
\$26.87 - \$32.11	4,786,141	6.36	31.76	374,866	29.89
\$32.12 - \$38.57	2,127,650	3.06	34.43	1,677,100	34.40
	17,254,719	4.96	\$ 24.38	8,028,066	\$ 24.06

The fair value of options granted during the three-month period ended September 30, 2021 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	September 30,	
	2021	2020
Fair value of options granted (weighted average)	\$ 9.00	\$ 4.42
Risk-free interest rate	0.85%	0.42%
Estimated hold period prior to exercise	4.6 years	5.0 years
Expected volatility	40%	40%
Forfeiture rate	1.9%	1.9%
Dividend per share	\$ 0.62	\$ 0.48

## 15. COMMITMENTS

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

### PAYMENTS DUE BY YEAR

(000s)	1 Year	2-3 Years	4-5 Years	>5 Years	Total
Operating commitments <sup>(1)</sup>	\$ 3,134	\$ 5,192	\$ 4,459	\$ 1,100	\$ 13,885
Firm transportation agreements <sup>(2)</sup>	717,689	1,493,152	1,271,391	4,254,145	7,736,377
Processing commitments <sup>(3)</sup>	129,620	220,818	195,842	519,453	1,065,733
Capital commitments <sup>(4)</sup>	74,250	148,500	–	–	222,750
Term debt <sup>(5)</sup>	18,610	37,219	981,535	–	1,037,364
Senior unsecured notes <sup>(6)</sup>	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.

## 16. RELATED PARTY TRANSACTIONS

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. At September 30, 2021, \$31.2 million of the accounts payable balance was due to Topaz. See notes 5, 10 and 11 for further details on transactions between Tourmaline and Topaz.

## 17. REVENUE

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

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

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

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Natural gas</b>				
Sales from production	\$ 826,225	\$ 371,392	\$ 2,098,495	\$ 1,057,941
Premium (loss) on risk management activities	14,069	(33,877)	(9,557)	(83,583)
	<b>840,294</b>	<b>337,515</b>	<b>2,088,938</b>	<b>974,358</b>
<b>Oil</b>				
Sales from production	73,957	31,692	201,256	89,745
Premium (loss) on risk management activities	1,599	(928)	5,188	(2,948)
	<b>75,556</b>	<b>30,764</b>	<b>206,444</b>	<b>86,797</b>
<b>Condensate</b>				
Sales from production	230,699	90,655	576,857	242,719
(Loss) on risk management activities	(365)	(3,375)	(3,267)	(8,557)
	<b>230,334</b>	<b>87,280</b>	<b>573,590</b>	<b>234,162</b>
<b>NGL</b>				
Sales from production	192,322	51,353	467,940	122,237
<b>Marketing revenue <sup>(1)</sup></b>				
	<b>13,195</b>	<b>10,305</b>	<b>40,530</b>	<b>38,269</b>
<b>Total</b>				
Commodity sales from production	1,323,203	545,092	3,344,548	1,512,642
Gain (loss) on risk management activities	15,303	(38,180)	(7,636)	(95,088)
Marketing revenue	13,195	10,305	40,530	38,269
Revenue from contracts with customers	<b>\$ 1,351,701</b>	<b>\$ 517,217</b>	<b>\$ 3,377,442</b>	<b>\$ 1,455,823</b>

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and nine months ended September 30, 2021, the Company had marketing purchases from third parties of \$11.5 million and \$37.7 million, respectively (three and nine months ended September 30, 2020 - \$9.7 million and \$37.5 million, respectively).