

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(000s) (unaudited)</i>	June 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ –	\$ 220,168
Accounts receivable	399,569	363,640
Prepaid expenses and deposits	31,301	22,591
Fair value of financial instruments <i>(note 3)</i>	8,114	23,074
Total current assets	438,984	629,473
Long-term asset	4,266	4,758
Fair value of financial instruments <i>(note 3)</i>	1,397	2,385
Exploration and evaluation assets <i>(note 4)</i>	441,990	509,533
Property, plant and equipment <i>(note 5)</i>	11,396,849	11,632,033
Right-of-use asset <i>(note 6)</i>	11,142	12,018
Investment in Topaz <i>(note 11)</i>	858,509	–
Total Assets	\$13,153,137	\$ 12,790,200
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 520,696	\$ 450,510
Lease liabilities <i>(note 6)</i>	3,221	3,412
Fair value of financial instruments <i>(note 3)</i>	207,593	59,189
Decommissioning obligations <i>(note 7)</i>	8,933	4,618
Total current liabilities	740,443	517,729
Bank debt <i>(note 8)</i>	1,393,599	1,942,259
Senior unsecured notes <i>(note 9)</i>	248,832	–
Lease liabilities <i>(note 6)</i>	8,178	8,763
Fair value of financial instruments <i>(note 3)</i>	78,494	48,361
Decommissioning obligations <i>(note 7)</i>	546,750	590,814
Deferred taxes	610,320	405,736
Shareholders' equity:		
Share capital <i>(note 12)</i>	6,377,116	6,328,115
Non-controlling interest <i>(note 10)</i>	–	467,443
Contributed surplus	304,677	307,152
Retained earnings	2,844,728	2,173,828
Total shareholders' equity	9,526,521	9,276,538
Total Liabilities and Shareholders' Equity	\$13,153,137	\$ 12,790,200

*Commitments (note 15).*

*Subsequent events (notes 3, 12 and 18).*

*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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Commodity sales from production (note 17)	\$ 1,025,310	\$ 441,901	\$ 2,021,345	\$ 967,550
(Loss) on risk management activities (note 17)	(60,000)	(33,066)	(22,939)	(56,908)
Marketing revenue (note 17)	9,952	4,837	27,335	27,964
Royalties	(56,547)	(11,375)	(110,323)	(28,304)
Other income	12,815	6,265	26,792	14,878
Realized gain (loss) on financial instruments	(44,032)	34,718	(71,864)	57,826
Unrealized gain (loss) on financial instruments (note 3)	(164,231)	(100,776)	(196,485)	29,136
	<b>723,267</b>	<b>342,504</b>	<b>1,673,861</b>	<b>1,012,142</b>
<b>Expenses:</b>				
Operating	138,238	83,308	273,078	166,714
Transportation	148,958	125,345	310,057	247,531
Marketing purchases	9,112	6,291	26,237	27,810
General and administration	20,741	17,099	44,129	33,368
Share-based payments	2,855	2,455	5,551	4,887
Depletion, depreciation, amortization and impairment (notes 4, 5 and 6)	254,460	208,772	518,993	712,298
Realized foreign exchange (gain)	(1,552)	(26,483)	(1,027)	(29,874)
Unrealized foreign exchange (gain) loss	1,497	313	3,463	(1,063)
Loss on investment in Topaz (note 11)	359	–	359	–
(Gain) on loss of control of Topaz (note 10)	(321,189)	–	(321,189)	–
(Gain) on acquisitions and divestitures	–	(87,802)	–	(122,006)
Total expenses	<b>253,479</b>	<b>329,298</b>	<b>859,651</b>	<b>1,039,665</b>
<b>Income (loss) from operations</b>	<b>469,788</b>	<b>13,206</b>	<b>814,210</b>	<b>(27,523)</b>
Finance expenses	15,986	13,310	30,310	29,225
<b>Income (loss) before taxes</b>	<b>453,802</b>	<b>(104)</b>	<b>783,900</b>	<b>(56,748)</b>
Deferred tax expense (recovery)	32,122	(19,917)	111,797	(40,427)
<b>Net income (loss) and comprehensive income (loss) before non-controlling interest</b>	<b>421,680</b>	<b>19,813</b>	<b>672,103</b>	<b>(16,321)</b>
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	420,849	20,106	668,686	(15,706)
Non-controlling interest (note 10)	831	(293)	3,417	(615)
	<b>\$ 421,680</b>	<b>\$ 19,813</b>	<b>\$ 672,103</b>	<b>\$ (16,321)</b>
<b>Net income (loss) per share attributable to common shareholders (note 13)</b>				
Basic	\$ 1.41	\$ 0.07	\$ 2.25	\$ (0.06)
Diluted	\$ 1.40	\$ 0.07	\$ 2.23	\$ (0.06)

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 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	–	5,551	–	–	5,551
Capitalized share-based payments	–	3,801	–	–	3,801
Options exercised ( <i>note 12</i> )	49,001	(10,369)	–	–	38,632
Dividends paid ( <i>note 12</i> )	–	–	(95,159)	(10,892)	(106,051)
Income attributable to common shareholders	–	–	668,686	–	668,686
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 June 30, 2021</b>	<b>\$ 6,377,116</b>	<b>\$ 304,677</b>	<b>\$ 2,844,728</b>	<b>\$ –</b>	<b>\$ 9,526,521</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> )	–	–	27,199	101,393	128,592
Share issue costs, net of tax on issuance of Topaz common shares ( <i>note 10</i> )	–	–	(1,785)	(982)	(2,767)
Share-based payments	–	4,887	–	–	4,887
Capitalized share-based payments	–	3,391	–	–	3,391
Purchase of common shares under NCIB ( <i>note 12</i> )	(4,814)	2,661	–	–	(2,153)
Dividends paid ( <i>note 12</i> )	–	–	(65,012)	(8,317)	(73,329)
(Loss) attributable to common shareholders	–	–	(15,706)	–	(15,706)
(Loss) attributable to non-controlling interest	–	–	–	(615)	(615)
Balance at June 30, 2020	\$ 5,882,163	\$ 298,349	\$ 1,555,327	\$ 273,050	\$ 8,008,889

See accompanying notes to the interim condensed consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s) (unaudited)	2021	2020	2021	2020
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net income (loss)	\$ 420,849	\$ 20,106	\$ 668,686	\$ (15,706)
Items not involving cash:				
Depletion, depreciation, amortization and impairment	254,460	208,772	518,993	712,298
Accretion (note 7)	2,748	1,100	5,553	2,136
Lease interest expense (note 6)	90	73	180	112
Share-based payments	2,855	2,455	5,551	4,887
Deferred tax expense (recovery)	32,122	(19,917)	111,797	(40,427)
Unrealized (gain) loss on financial instruments (note 3)	164,231	100,776	196,485	(29,136)
(Gain) on loss of control of Topaz (note 10)	(321,189)	–	(321,189)	–
(Gain) on acquisitions and divestitures	–	(87,802)	–	(122,006)
Amortization on long-term asset	246	186	492	372
Non-controlling interest (note 10)	831	(293)	3,417	(615)
Unrealized foreign exchange (gain) loss	1,497	313	3,463	(1,063)
Loss on investment in Topaz (note 11)	359	–	359	–
Decommissioning expenditures (note 7)	(497)	(592)	(5,860)	(1,957)
Dividends received from Topaz (note 11)	11,630	–	11,630	–
Changes in non-cash operating working capital	(75,559)	(59,320)	45,245	(1,080)
Total cash flow from operating activities	494,673	165,857	1,244,802	507,815
<b>Financing:</b>				
Issue of common shares (note 12)	33,547	–	38,632	–
Purchase of common shares under NCIB (note 12)	–	–	–	(2,153)
Issuance of Topaz common shares to NCI (note 10)	195,753	124,980	197,336	124,980
Lease payments (note 6)	(1,000)	(680)	(1,984)	(1,976)
Dividends paid (note 12)	(47,656)	(36,663)	(106,051)	(73,329)
(Decrease) in cash on loss of control of Topaz (note 10)	(177,357)	–	(177,357)	–
Increase (Decrease) in bank debt	194,954	196,571	(529,481)	147,935
Increase in senior unsecured notes	30	–	248,832	–
Total cash flow from (used) in financing activities	198,271	284,208	(330,073)	195,457
<b>Investing:</b>				
Exploration and evaluation (note 4)	–	(1,385)	–	(3,669)
Property, plant and equipment (note 5)	(226,532)	(102,508)	(622,940)	(415,053)
Property acquisitions (note 5)	(438,364)	(36,139)	(464,658)	(39,159)
Proceeds from divestitures (note 5)	200	–	796	235
Corporate acquisitions (note 5)	–	(15,102)	–	(27,072)
Changes in non-cash investing working capital	(99,830)	(145,274)	(48,095)	(68,897)
Total cash flow used in investing activities	(764,526)	(300,408)	(1,134,897)	(553,615)
<b>Changes in cash</b>	<b>(71,582)</b>	<b>149,657</b>	<b>(220,168)</b>	<b>149,657</b>
<b>Cash, beginning of period</b>	<b>71,582</b>	<b>–</b>	<b>220,168</b>	<b>–</b>
<b>Cash, end of period</b>	<b>\$ –</b>	<b>\$ 149,657</b>	<b>\$ –</b>	<b>\$ 149,657</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 JUNE 30, 2021 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 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 July 28, 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 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 has had a negative impact on global economic conditions in 2020 and 2021. This 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. In recent months, there have been signs of recovery providing for more positive outlooks on commodity prices and general market and industry conditions as COVID-19 vaccination rates increase and government restrictions are eased.

The Company has increased its monitoring of receivables due from oil and natural gas marketers and from joint asset partners to manage credit risk. The Company historically has not experienced any collection issues with oil and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint-asset partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Company believes that its receivables at June 30, 2021 are substantially collectible.

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

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

## **Capital management:**

During this period of economic uncertainty, the Company is committed to maintaining its strong statement of financial position and financial liquidity. At June 30, 2021, the Company had \$1.4 billion in unutilized borrowing capacity on its credit facilities, all of which are covenant based and not directly tied to changes in the Company's oil and gas reserves, insulating the Company's borrowing capacity against large swings in commodity price forecasts used to calculate reserve values. At June 30, 2021, the Company was in compliance with all of its covenants under its credit facilities and has sufficient room under those covenants to allow for deterioration of commodity prices or an increase in future borrowings to navigate through these uncertain times, if required. The Company believes it has sufficient liquidity through cash flow to execute its 2021 capital budget and continues to monitor and adjust as necessary.

## 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, 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 June 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 June 30, 2021 <sup>(1)</sup>:

		2021	2022	2023	2024	Fair Value (000s)
<b>Gas</b>						
AECO swaps <sup>(2)</sup>	<i>mmbtu/d</i>	62,409	–	–	–	\$ (17,724)
	<i>CAD\$/mmbtu</i>	\$ 2.09				
NYMEX swaps	<i>mmbtu/d</i>	234,481	136,997	20,000	–	\$ (62,154)
	<i>USD\$/mmbtu</i>	\$ 2.91	\$ 2.80	\$ 2.75		
NYMEX swaps - other	<i>mmbtu/d</i>	–	5,000	–	–	\$ (1,263)
	<i>USD\$/mmbtu</i>		\$ 3.69			
AECO Basis swap	<i>mmbtu/d</i>	668	–	–	–	\$ (119)
	<i>CAD\$/mmbtu</i>	\$ (1.50)				
Basis differentials – other	<i>mmbtu/d</i>	37,500	37,500	37,500	27,500	\$ (40,862)
	<i>USD\$/mmbtu</i>	\$ 0.29	\$ 0.29	\$ 0.29	\$ 0.28	
Call options (writer) <sup>(3)</sup>	<i>mmbtu/d</i>	25,000	55,000	–	–	\$ (7,937)
	<i>USD\$/mmbtu</i>	\$ 3.50	\$ 3.50			
<b>Oil</b>						
Financial swaps	<i>bbls/d</i>	12,750	8,904	–	–	\$ (102,474)
	<i>USD\$/bbl</i>	\$ 49.80	\$ 59.47			
Financial swaps	<i>bbls/d</i>	1,500	100	–	–	\$ (1,065)
	<i>CAD\$/bbl</i>	\$ 60.09	\$ 66.90			
Financial collars	<i>bbls/d</i>	2,500	248	–	–	\$ (8,404)
	<i>USD\$/bbl</i>	\$ 46.84 - \$ 58.96	\$ 55.00 - \$ 65.70			
NYMEX call options	<i>bbls/d</i>	4,000	–	2,000	–	\$ (9,398)
	<i>USD\$/bbl</i>	\$ 80.00		\$ 60.00		
Propane Financial Swaps <sup>(4)</sup>	<i>bbls/d</i>	2,500	–	–	–	\$ (7,907)
	<i>USD\$/bbl</i>	\$ 34.48				
<b>Total fair value</b>						<b>\$ (259,309)</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 June 30, 2021.

Type of Contract	Quantity	Time Period	Contract Price
NYMEX call	20,000 mmbtu/d	January – March 2022	USD \$5.00/mmbtu average
NYMEX oil swap	500 bbls/d	July 2022 – June 2023	USD \$64.71/bbl average
NYMEX oil swap	1,000 bbls/d	July – December 2021	USD \$71.66/bbl average
NYMEX call option	2,000 bbls/d	July – December 2021	USD \$82.50/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>	1.83%	1.87%	1.98%	2.02%	1.42%	1.10%	1.10%	
Notional amount hedged (000s)	\$ 758,333	\$ 730,570	\$ 558,802	\$ 224,733	\$ 50,067	\$ 25,000	\$ 6,319	\$ (16,802)

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

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

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

		2021	2022	Fair Value (000s)
Costless collar <sup>(1)</sup>	\$USD(000s) Monthly \$CAD/\$USD	\$ 42,000 \$ 1.249 – \$ 1.318	\$ 18,000 \$ 1.215 – \$ 1.305	\$ (2,271)
Average rate forward	\$USD(000s) Monthly \$CAD/\$USD	\$ 3,000 \$ 1.269	\$ 375 \$ 1.3100	\$ 1,051
Average rate puts	\$USD(000s) Monthly \$CAD/\$USD	\$ 1,500 \$1.250	\$2,000 \$1.200	\$ 753
<b>Total fair value</b>				<b>\$ (467)</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 \$14.0 million/month at \$1.30 for 2023. Disclosure also includes short term trading strategies.

The Company has entered into the following foreign currency derivative contracts subsequent to June 30, 2021:

Type of Contract	Monthly Notional (\$000)	Time Period	Contract Price
Average rate forward	\$ 7,000	August – December 2021	\$1.250
Average rate forward	\$ 4,000	January – December 2022	\$1.250
Average rate collar	\$ 2,000	January – December 2022	\$1.230 – \$1.270
Variable rate collar <sup>(1)</sup>	\$ 2,000	January – December 2022	\$1.228 – \$1.331

(1) These financial collars have a European call writer option at December 31, 2022 that if called would result in an average rate forward of \$2.0 million/month at \$1.331 for 2023.

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 six months ended June 30, 2021 and 2020:

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Unrealized gain (loss) on financial instruments – commodity contracts	\$ (162,866)	\$ (92,080)	\$ (207,348)	\$ 67,123
Unrealized gain (loss) on financial instruments – interest rate swaps	3,621	(4,237)	12,344	(35,243)
Unrealized (loss) on financial instruments – foreign currency	(4,986)	(4,459)	(1,481)	(2,744)
<b>Total unrealized gain (loss) on financial instruments</b>	<b>\$ (164,231)</b>	<b>\$ (100,776)</b>	<b>\$ (196,485)</b>	<b>\$ 29,136</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 June 30, 2021 <sup>(1)(5)</sup>:

		2021	2022	2023	2024
<b>Gas</b>					
Fixed price <sup>(2)</sup>	<i>mcf/d</i>	407,654	130,484	2,068	1,243
	<i>CAD\$/mcf</i>	\$ 2.88	\$ 3.08	\$ 3.10	\$ 3.10
Basis differentials - AECO <sup>(3)</sup>	<i>mmbtu/d</i>	239,375	227,500	158,315	90,833
	<i>USD\$/mmbtu</i>	\$ (0.71)	\$ (0.70)	\$ (0.75)	\$ (0.71)
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	<i>mcf/d</i>	38,905	38,125	16,658	–
	<i>CAD\$/mcf</i>	\$ (0.43)	\$ (0.12)	\$ 0.23	
Basis differentials – Other <sup>(4)</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>(6)</sup>	<i>bbls/d</i>	3,591	1,552	–	–
	<i>USD\$/bbl</i>	\$ (5.17)	\$ (4.67)		
Condensate differentials <sup>(7)</sup>	<i>bbls/d</i>	4,617	3,621	–	–
	<i>USD\$/bbl</i>	\$ (1.37)	\$ (1.47)		

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

(2) These include AECO, Stn 2, Hunt, Malin, and PG&E City Gate.

(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 are basis differentials for non-AECO markets.

(5) Tourmaline also has entered into deals 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.

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

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

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

Type of Contract	Quantity	Time Period	Contract Price
Gas Fixed Price	10,000 mmbtu/d	August – October 2021	USD \$5.00/mmbtu average
Gas Fixed Price	5,000 GJ/d	November 2021 – March 2022	CAD \$3.75/GJ average
Gas Fixed Price	20,000 GJ/d	April – October 2022	CAD \$2.748/GJ average
Basis differentials – Stn 2	5,000 GJ/d	November 2021 – March 2022	CAD \$0.065/GJ average
Condensate differentials	1,026 bbls/d	October – December 2021	USD \$0.30/bbl average
Condensate differentials	1,034 bbls/d	January – December 2022	USD \$(1.25)/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 (note 5)	(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 (note 5)	(26,320)
Divestitures	(1,609)
Expired mineral leases	(7,138)
Loss of control of Topaz (note 10)	(32,476)
<b>As at June 30, 2021</b>	<b>\$ 441,990</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 June 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	626,741
Transfers from exploration and evaluation (note 4)	26,320
Change in decommissioning liabilities (note 7)	(51,749)
Property acquisitions	508,605
Divestitures	(153)
Loss of control of Topaz (note 10)	(1,618,413)
<b>As at June 30, 2021</b>	<b>\$ 17,046,536</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	509,951
Loss of control of Topaz ( <i>note 10</i> )	(783,416)
<b>As at June 30, 2021</b>	<b>\$ 5,649,687</b>

## Net Book Value

(000s)

As at December 31, 2020	\$ 11,632,033
<b>As at June 30, 2021</b>	<b>\$ 11,396,849</b>

Future development costs of \$10,013.8 million were included in the depletion calculation at June 30, 2021 (December 31, 2020 – \$8,787.2 million).

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

A total of \$18.0 million in G&A expenditures have been capitalized and included in PP&E for the six months ended June 30, 2021 (December 31, 2020 – \$32.5 million). Also included in PP&E are non-cash share-based payments of \$3.8 million (December 31, 2020 - \$7.2 million).

## 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 June 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.

### **Acquisitions and Dispositions 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.

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.

In total, for the six months ended June 30, 2021, the Company, and Topaz, completed property acquisitions for cash consideration of \$464.7 million, including the acquisitions discussed above (December 31, 2020 - \$171.9 million) and \$27.0 in acquisitions for non-cash consideration (December 31, 2020 - \$6.2 million). The Company assumed \$17.0 million in decommissioning liabilities as a result of these acquisitions (December 31, 2020 - \$15.9 million).

The Company also completed property dispositions, for the six months ended June 30, 2021, for total cash consideration of \$0.8 million (December 31, 2020 - \$0.2 million) and non-cash consideration of \$1.0 million (December 31, 2020 – \$6.2 million).

## 6. LEASES

### Right-of-Use Assets

<i>(000s)</i>	As at June 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 12,018	\$ 10,831
Additions	1,362	2,704
Modifications	(334)	–
Right-of-use assets acquired from corporate acquisitions	–	1,701
Depreciation	(1,904)	(3,218)
Balance, end of period	\$ 11,142	\$ 12,018

### Lease Liabilities

<i>(000s)</i>	As at June 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 12,175	\$ 10,879
Additions	1,362	2,704
Modifications	(334)	–
Lease liabilities acquired from corporate acquisitions	–	1,701
Lease interest expense	180	289
Lease payments	(1,984)	(3,398)
Balance, end of period	\$ 11,399	\$ 12,175
Current lease liabilities	\$ 3,221	\$ 3,412
Long-term lease liabilities	\$ 8,178	\$ 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 \$873.1 million (December 31, 2020 – \$783.4 million). A risk-free rate of 1.84% (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 June 30, 2021 have been adjusted by approximately \$64.3 million reflecting the change in the risk-free rate and the inflation rate.

<i>(000s)</i>	As at June 30, 2021	As at December 31, 2020
Balance, beginning of period	\$ 595,432	\$ 321,863
Obligation incurred	12,573	16,160
Obligation incurred on corporate acquisitions ( <i>note 5</i> )	-	50,731
Obligation incurred on property acquisitions ( <i>note 5</i> )	16,981	15,850
Obligation settled	(5,860)	(6,569)
Accretion expense	5,553	5,423
Change in future estimated cash outlays	(64,322)	191,974
Loss of control of Topaz ( <i>note 10</i> )	(4,674)	-
Balance, end of period	\$ 555,683	\$ 595,432
Current decommissioning obligations	\$ 8,933	\$ 4,618
Long-term decommissioning obligation	\$ 546,750	\$ 590,814

## 8. BANK DEBT

<i>(000s)</i>	As at June 30, 2021	As at December 31, 2020
Revolving credit facility	\$ 448,206	\$ 994,948
Term debt	950,000	949,495
Debt issue costs	(4,607)	(2,184)
Bank debt	\$ 1,393,599	\$ 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.

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 June 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 \$20.9 million at June 30, 2021 (December 31, 2020 - \$19.5 million), which reduces the credit available on this facility.

The Company's aggregate borrowing capacity is \$3.1 billion at June 30, 2021 including the senior unsecured notes (note 9). The effective interest rate for the six months ended June 30, 2021 was 1.67% (six months ended June 30, 2020 – 2.52%). As at, and for the quarter ending June 30, 2021, the Company is in compliance with all debt covenants.

## 9. SENIOR UNSECURED NOTES

<i>(000s)</i>	As at June 30, 2021
Senior unsecured notes	\$ 250,000
Debt issue costs	(1,168)
Senior unsecured notes	\$ 248,832

On January 25, 2021, the Company issued \$250.0 million of senior unsecured notes (the "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.

## 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%.

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(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

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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%.

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(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

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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 six months ended June 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.

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(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

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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)
<b>Net asset value of Topaz</b>	<b>\$ 1,216,107</b>

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

(000s)	As at June 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)	–
<b>Balance, end of period</b>	<b>\$ –</b>	<b>\$ 467,443</b>

## 11. INVESTMENT IN TOPAZ

At June 30, 2021, the Company owned 45.2% of the outstanding common shares of its associate Topaz. A reconciliation of the investment in Topaz is provided below:

(000s)	As at June 30, 2021
Balance, beginning of period	\$ –
Fair value of investment in Topaz recognized on loss of control ( <i>note 10</i> )	870,498
(Loss) on investment in Topaz	(359)
Dividends received from Topaz	(11,630)
<b>Balance, end of period</b>	<b>\$ 858,509</b>

## 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

	As at June 30, 2021		As at December 31, 2020	
	Number of Shares	Amount	Number of Shares	Amount
<i>(000s) except share amounts</i>				
Balance, beginning of period	296,571,516	\$ 6,328,115	270,997,159	\$ 5,886,977
Issued on corporate acquisitions (note 5)	–	–	25,700,000	444,402
Purchase of common shares under NCIB	–	–	(221,600)	(4,814)
For cash on exercise of stock options	1,880,350	38,632	95,957	1,261
Contributed surplus on exercise of stock options	–	10,369	–	289
Balance, end of period	298,451,866	\$ 6,377,116	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”). The NCIB allows the Company to purchase up to 13,538,778 common shares, representing 5% of its common shares outstanding at June 30, 2020, over a period of twelve months commencing on July 20, 2020. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the six months ended June 30, 2021, the Company did not purchase any common shares for cancellation.

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.

### Dividends

During the three and six months ended June 30, 2021, the Company paid a cash dividend of \$0.16 and \$0.32 per common share totalling \$47.7 million and \$95.2 million, respectively, compared to \$0.12 and \$0.24 per common share totalling \$32.5 million and \$65.0 million for the same periods of the prior year. Additionally, during the six months ended June 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. Subsequent to June 8, 2021, Topaz paid a cash dividend of \$0.20 per common share and Tourmaline received \$11.6 million which was recorded as a deduction to the investment in Topaz.

### 13. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss) attributable to shareholders of the Company for the period (000s)	\$ 420,849	\$ 20,106	\$ 668,686	\$ (15,706)
Weighted average number of common shares – basic	297,481,513	270,775,559	297,133,918	270,858,022
Earnings (loss) per share – basic	\$ 1.41	\$ 0.07	\$ 2.25	\$ (0.06)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss) attributable to shareholders of the Company for the period (000s)	\$ 420,849	\$ 20,106	\$ 668,686	\$ (15,706)
Weighted average number of common shares – diluted	301,506,797	270,781,052	299,967,134	270,858,022
Earnings (loss) per share – fully diluted	\$ 1.40	\$ 0.07	\$ 2.23	\$ (0.06)

There were 7,591,675 and 9,984,725 options excluded from the weighted-average share calculations for the three and six months ended June 30, 2021 because they were anti-dilutive (three and six months ended June 30, 2020 – 18,214,234 and 18,360,734 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 25,368,408 shares of common stock, which represents 8.5% of the current outstanding common shares. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is seven years. Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

	Six Months Ended June 30,			
	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	4,806,275	31.07	263,500	11.28
Exercised	(1,880,350)	20.55	–	–
Expired	(135,800)	27.43	(776,000)	39.30
Forfeited	(214,165)	28.22	(274,834)	28.65
Stock options outstanding, end of period	20,900,671	\$ 24.21	18,360,734	\$ 24.08

The average trading price of the Company's common shares was \$25.31 during the six months ended June 30, 2021 (six months ended June 30, 2020 – \$12.31).

The following table summarizes stock options outstanding and exercisable at June 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	3,369,691	5.23	\$ 12.87	700,592	\$ 12.87
\$17.39 - \$22.04	4,051,246	5.93	17.94	310,439	20.08
\$22.05 - \$26.38	3,742,509	4.14	22.60	2,423,433	22.75
\$26.39 - \$31.90	2,786,050	3.35	27.30	2,659,050	27.14
\$31.91 - \$36.99	6,951,175	5.05	33.00	2,666,900	34.67
	20,900,671	4.86	\$ 24.21	8,760,414	\$ 26.83

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

	June 30,	
	2021	2020
Fair value of options granted (weighted average)	\$ 8.90	\$ 2.51
Risk-free interest rate	0.9%	0.7%
Estimated hold period prior to exercise	4.6 years	5.0 years
Expected volatility	40%	38%
Forfeiture rate	1.9%	1.9%
Dividend per share	\$ 0.61	\$ 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>	\$ 2,874	\$ 4,387	\$ 4,317	\$ 1,632	\$ 13,210
Firm transportation agreements	630,725	1,274,241	1,067,417	3,460,194	6,432,577
Processing commitments <sup>(2)</sup>	105,479	178,361	172,967	515,008	971,815
Capital commitments <sup>(3)</sup>	76,500	148,500	–	–	225,000
Credit facility <sup>(4)</sup>	–	–	491,784	–	491,784
Term debt <sup>(5)</sup>	18,288	36,576	985,561	–	1,040,425
Senior unsecured notes <sup>(6)</sup>	5,193	10,385	10,385	258,144	284,107
	\$ 839,059	\$ 1,652,450	\$ 2,732,431	\$ 4,234,978	\$ 9,458,918

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

(2) Includes processing commitments and power commitments.

(3) Includes rig commitments.

(4) Includes interest expense at an annual rate of 1.88% being the rate applicable to outstanding debt on the credit facility at June 30, 2021.

(5) Includes interest expense at an annual rate of 1.93% being the fixed rate on the term debt at June 30, 2021.

(6) Includes interest expense at an annual rate of 2.08% being the 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 June 30, 2021, \$23.2 million of the accounts payable balance was due to 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Natural gas</b>				
Sales from production	\$ 637,717	\$ 340,075	\$ 1,272,270	\$ 686,549
(Loss) on risk management activities	(59,934)	(29,418)	(23,626)	(49,706)
	<b>577,783</b>	310,657	<b>1,248,644</b>	636,843
<b>Oil</b>				
Sales from production	65,662	21,357	127,299	58,053
Premium (loss) on risk management activities	1,662	(1,755)	3,589	(2,020)
	<b>67,324</b>	19,602	<b>130,888</b>	56,033
<b>Condensate</b>				
Sales from production	189,014	45,586	346,158	152,064
(Loss) on risk management activities	(1,728)	(1,893)	(2,902)	(5,182)
	<b>187,286</b>	43,693	<b>343,256</b>	146,882
<b>NGL</b>				
Sales from production	132,917	34,883	275,618	70,884
Marketing revenue <sup>(1)</sup>	<b>9,952</b>	4,837	<b>27,335</b>	27,964
<b>Total</b>				
Commodity sales from production	<b>1,025,310</b>	441,901	<b>2,021,345</b>	967,550
(Loss) on risk management activities	<b>(60,000)</b>	(33,066)	<b>(22,939)</b>	(56,908)
Marketing revenue	<b>9,952</b>	4,837	<b>27,335</b>	27,964
Revenue from contracts with customers	<b>\$ 975,262</b>	\$ 413,672	<b>\$ 2,025,741</b>	\$ 938,606

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and six months ended June 30, 2021, the Company had marketing purchases from third parties of \$9.1 million and \$26.2 million, respectively (three and six months ended June 30, 2020 - \$6.3 million and \$27.8 million, respectively).

## 18.SUBSEQUENT EVENTS

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.

On July 15, 2021, the Company acquired all of the issued and outstanding shares of Black Swan Energy Ltd. ("Black Swan"). As consideration, the Company issued 26.0 million Tourmaline common shares at a price of \$34.49 per common share for total share consideration of \$0.9 billion as well as assumed Black Swan's working capital deficit at close.

On July 15, 2021, the Company acquired assets in the Birch area of NEBC for total consideration of approximately \$88.0 million, before customary closing adjustments.

On July 15, 2021, the Company entered into an Agreement with Topaz on the Black Swan and Birch assets in NEBC, discussed above, whereby Tourmaline will sell a royalty interest on its developed and undeveloped lands for cash consideration of \$145.0 million. The closing is scheduled for August 1, 2021.