

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(000s) (unaudited)</i>	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash & cash equivalents	\$ 88,699	\$ –
Accounts receivable	767,831	652,246
Prepaid expenses and deposits	41,254	26,275
Fair value of financial instruments <i>(note 4)</i>	1,427,349	11,202
Total current assets	2,325,133	689,723
Long-term asset	3,034	3,773
Fair value of financial instruments <i>(note 4)</i>	2,523,066	8,388
Exploration and evaluation assets <i>(note 5)</i>	304,144	369,882
Property, plant and equipment <i>(note 6)</i>	14,230,186	13,463,578
Right-of-use asset <i>(note 7)</i>	10,344	10,825
Investment in Topaz <i>(note 11)</i>	655,799	745,924
Total Assets	\$20,051,706	\$15,292,093
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,003,514	\$ 775,485
Fair value of financial instruments <i>(note 4)</i>	771,068	252,172
Lease liabilities <i>(note 7)</i>	3,101	2,997
Decommissioning obligations <i>(note 8)</i>	30,000	20,103
Income tax payable	4,335	–
Total current liabilities	1,812,018	1,050,757
Fair value of financial instruments <i>(note 4)</i>	309,803	91,924
Lease liabilities <i>(note 7)</i>	7,637	8,172
Decommissioning obligations <i>(note 8)</i>	484,384	628,039
Bank debt <i>(note 9)</i>	–	421,539
Senior unsecured notes <i>(note 10)</i>	448,262	448,035
Deferred taxes	2,474,815	1,037,275
Shareholders' equity:		
Share capital <i>(note 12)</i>	7,699,349	7,482,534
Contributed surplus	265,908	284,289
Retained earnings	6,549,530	3,839,529
Total shareholders' equity	14,514,787	11,606,352
Total Liabilities and Shareholders' Equity	\$20,051,706	\$15,292,093

Commitments (note 15).

Subsequent events (note 4).

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(000s) except per-share amounts (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Commodity sales from production (note 16)	\$ 1,677,370	\$1,323,203	\$ 6,178,322	\$ 3,344,548
Premium gain (loss) on risk management activities (note 16)	334,751	15,303	107,868	(7,636)
Marketing revenue (note 16)	5,456	13,195	34,325	40,530
Royalties	(293,820)	(109,423)	(822,765)	(219,746)
Other income	17,818	10,453	38,854	37,245
Realized loss on financial instruments	(268,265)	(125,130)	(719,816)	(196,994)
Unrealized gain (loss) on financial instruments (note 4)	1,865,901	(251,990)	3,194,050	(448,475)
	3,339,211	875,611	8,010,838	2,549,472
Expenses:				
Operating	193,331	157,854	579,267	430,932
Transportation	206,648	175,143	659,934	485,200
Marketing purchases (note 16)	4,793	11,494	29,305	37,731
General and administration	24,291	21,313	76,994	65,442
Share-based payments	5,710	5,835	16,627	11,386
Depletion, depreciation and amortization (notes 5, 6 and 7)	284,930	276,506	876,284	795,499
Income from investment in Topaz (note 11)	(6,428)	(2,238)	(28,379)	(1,879)
(Gain) on loss of control of Topaz	–	–	–	(321,189)
(Gain) on acquisitions and divestitures	(113,517)	(244,343)	(121,954)	(244,343)
Realized foreign exchange gain	(10,049)	(5,497)	(21,878)	(6,524)
Unrealized foreign exchange gain	(3,557)	(7,074)	(6,306)	(3,611)
Total expenses	586,152	388,993	2,059,894	1,248,644
Income from operations	2,753,059	486,618	5,950,944	1,300,828
Finance expenses	12,911	18,755	35,723	49,065
Income before taxes	2,740,148	467,863	5,915,221	1,251,763
Income tax expense	4,335	–	4,335	–
Deferred tax expense	637,884	106,806	1,393,471	218,603
Net income and comprehensive income before non-controlling interest	2,097,929	361,057	4,517,415	1,033,160
Net income and comprehensive income attributable to:				
Shareholders of the Company	2,097,929	361,057	4,517,415	1,029,743
Non-controlling interest	–	–	–	3,417
	\$ 2,097,929	\$ 361,057	\$ 4,517,415	\$ 1,033,160
Net income per share attributable to common shareholders (note 13)				
Basic	\$ 6.23	\$ 1.12	\$ 13.50	\$ 3.37
Diluted	\$ 6.11	\$ 1.10	\$ 13.21	\$ 3.32

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, 2021	\$ 7,482,534	\$ 284,289	\$ 3,839,529	\$ –	\$11,606,352
Share-based payments	–	16,627	–	–	16,627
Capitalized share-based payments	–	12,870	–	–	12,870
Options exercised (<i>note 12</i>)	216,815	(47,878)	–	–	168,937
Dividends paid (<i>note 12</i>)	–	–	(1,807,414)	–	(1,807,414)
Income attributable to common shareholders	–	–	4,517,415	–	4,517,415
Balance at September 30, 2022	\$ 7,699,349	\$ 265,908	\$ 6,549,530	\$ –	\$ 14,514,787

<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	939,580	–	–	–	939,580
Issue of Topaz common shares to NCI	–	–	21,421	210,423	231,844
Share issue costs, net of tax on issuance of Topaz common shares	–	–	(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	(4,493)	(2,052)	–	–	(4,493)
Dividends paid (<i>note 12</i>)	–	–	(150,898)	(10,892)	(161,790)
Dividends declared	–	–	(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	–	(1,458)	78,914	(666,798)	(589,342)
Balance at September 30, 2021	\$ 7,441,460	\$ 284,469	\$ 2,902,829	\$ –	\$10,628,758

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,	
	2022	2021	2022	2021
Cash provided by (used in):				
Operations:				
Net income	\$ 2,097,929	\$ 361,057	\$ 4,517,415	\$ 1,029,743
Items not involving cash:				
Depletion, depreciation and amortization	284,930	276,506	876,284	795,499
Accretion (note 8)	5,586	3,233	14,340	8,786
Lease interest expense (note 7)	82	85	237	265
Share-based payments (note 14)	5,710	5,835	16,627	11,386
Income tax expense	4,335	–	4,335	–
Deferred tax expense	637,884	106,806	1,393,471	218,603
Unrealized (gain) loss on financial instruments (note 4)	(1,865,901)	251,990	(3,194,050)	448,475
Gain on loss of control of Topaz (note 11)	–	–	–	(321,189)
Gain on acquisitions and divestitures	(113,517)	(244,343)	(121,954)	(244,343)
Amortization on long-term asset	247	246	739	738
Non-controlling interest	–	–	–	3,417
Unrealized foreign exchange gain	(3,557)	(7,074)	(6,306)	(3,611)
Income from investment in Topaz (note 11)	(6,428)	(2,238)	(28,379)	(1,879)
Decommissioning expenditures (note 8)	(4,207)	(2,981)	(26,361)	(8,841)
Dividends received from Topaz (note 11)	12,642	12,211	39,239	23,841
Changes in non-cash operating working capital	56,467	(217,478)	91,695	(172,233)
Total cash flow from operating activities	1,112,202	543,855	3,577,332	1,788,657
Financing:				
Issue of common shares	43,356	100,920	168,937	139,552
Issuance of Topaz common shares to NCI	–	–	–	197,336
Lease payments (note 7)	(893)	(1,016)	(2,747)	(3,000)
Dividends paid (note 12)	(748,480)	(55,739)	(1,807,414)	(161,790)
Decrease in cash on loss of control of Topaz	–	–	–	(177,357)
Decrease in bank debt	(14,513)	(792,842)	(424,978)	(1,322,323)
Increase in senior unsecured notes	75	199,127	227	447,959
Total cash flow (used in) financing activities	(720,455)	(549,550)	(2,065,975)	(879,623)
Investing:				
Property, plant and equipment (note 6)	(483,065)	(391,826)	(1,183,028)	(1,014,766)
Property acquisitions (note 6)	(41)	(54,482)	(261,717)	(519,140)
Proceeds from divestitures (note 6)	67,659	390,200	71,380	390,996
Corporate acquisitions (note 6)	(67,770)	–	(67,770)	–
Proceeds from sale of Topaz common shares	–	103,824	–	103,824
Changes in non-cash investing working capital	180,169	175,454	18,477	127,359
Total cash flow from (used in) investing activities	(303,048)	223,170	(1,422,658)	(911,727)
Changes in cash	88,699	210,930	88,699	(9,238)
Cash, beginning of period	–	–	–	220,168
Cash, end of period	\$ 88,699	\$ 210,930	\$ 88,699	\$ 210,930

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, 2022 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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

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 2, 2022.

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

OPERATING ENVIRONMENT

The COVID-19 pandemic had a significant 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.

Although we have now seen an economic recovery post the commodity price collapse of 2020, with a more positive outlook on commodity prices and general market and industry conditions, since Russia's invasion of Ukraine in early 2022, there have now been emerging global concerns over oil and natural gas supply which have resulted in high benchmark commodity prices and inflationary pressures on governments, businesses and communities.

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

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

CLIMATE CHANGE AND ENVIRONMENTAL REGULATION

Climate-related considerations are integrated into key business planning and risk management processes throughout the Company.

Regulatory Update

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance (ESG) and climate reporting, the International Sustainability Standards Board ("ISSB") has issued exposure drafts for its IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators ("CSA") published for comment Proposed National Instrument 51-107 – *Disclosure of Climate Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. The comment period for the proposed National Instrument has closed and the CSA is actively considering international developments and how they may impact the proposed National Instrument. The Company is awaiting further guidance from the ISSB and CSA.

If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. The Company continues to monitor the evolving ESG regulations and its potential impact on the Company.

Sustainability Reporting

The Company publishes an annual Sustainability Report containing comprehensive information relating to ESG performance which can be found on the Company's website at www.tourmalineoil.com.

The Sustainability Report was developed using the Global Reporting Initiative standards as a baseline for the sustainability factors significant to Tourmaline stakeholders. The Company has also included recommendations from the Task Force on Climate Related Disclosures and incorporated discussion points and metrics outlined by the Sustainability Accounting Standards Board.

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, 2021.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars and include the accounts of Tourmaline Oil Corp., Rising Star Resources Ltd ("Rising Star"), and its 100% owned subsidiary Tourmaline Oil Marketing Corp., which has a functional currency of US dollars.

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, 2021, with the exception of additional significant accounting judgements, estimates and assumptions related to the natural gas embedded derivative further discussed in note 2.

2. ACCOUNTING RESTATEMENT

During the third quarter of 2022, the Company identified a gas supply agreement, entered into in July 2021, that had been originally determined to be exempt from IFRS 9 – Financial Instruments, consistent with the convention in the oil and gas industry for physical delivery contracts. After further review, the Company determined that the agreement also included an embedded derivative in accordance with IFRS 9 – Financial Instruments. As a result, an embedded derivative is being recognized as a component of the agreement and will be fair valued at each reporting period over the life of the 15-year agreement. The Company has restated values in each of the first two quarters of 2022 to reflect the material impact of the embedded derivative. The fair value of financial instruments was not material at September 30, 2021 or December 31, 2021.

(000s) (unaudited)	2022	
	Q2	Q1
Fair value of financial instruments – current asset previously reported	\$ 8,924	\$ 10,979
Restatement adjustment	400,860	92,016
Fair value of financial instruments - restated	409,784	102,995
Total current assets previously reported	871,609	797,525
Restatement adjustment	400,860	92,016
Total current assets - restated	1,272,469	889,541
Fair value of financial instruments – long-term asset previously reported	11,743	9,814
Restatement adjustment	1,354,441	453,081
Fair value of financial instruments - restated	1,366,184	462,895
Total Assets previously reported	15,717,713	15,492,762
Restatement adjustment	1,755,301	545,097
Total assets - restated	17,473,014	16,037,859
Deferred tax liability previously reported	1,372,819	1,122,025
Restatement adjustment	420,043	130,442
Deferred tax liability - restated	1,792,862	1,252,467
Retained earnings previously reported	3,864,823	3,619,733
Restatement adjustment	1,335,258	414,655
Retained earnings – restated	5,200,081	4,034,388
Total shareholders' equity previously reported	11,776,727	11,478,909
Restatement adjustment	1,335,258	414,655
Total shareholders' equity – restated	13,111,985	11,893,564
Total Liabilities and Shareholders' Equity previously reported	15,717,713	15,492,762
Restatement adjustment	1,755,301	545,097
Total Liabilities and Shareholders' Equity	\$17,473,014	\$16,037,859

	2022	
(000s) except per-share amounts (unaudited)	Q2 ⁽¹⁾	Q1
Unrealized gain (loss) on financial instruments previously reported	\$ 9,871	\$ (437,023)
Restatement adjustment	1,210,204	545,097
Unrealized gain (loss) on financial instruments - restated	1,220,075	108,074
Income from operations previously reported	1,085,968	356,616
Restatement adjustment	1,210,204	545,097
Income from operations – restated	2,296,172	901,713
Income before tax previously reported	1,073,738	346,034
Restatement adjustment	1,210,204	545,097
Income before tax – restated	2,283,942	891,131
Deferred tax expense previously reported	250,794	84,750
Restatement adjustment	289,601	130,442
Deferred tax expense - restated	540,395	215,192
Net income and comprehensive income previously reported	822,944	261,284
Restatement adjustment	920,603	414,655
Net income and comprehensive income - restated	1,743,547	675,939
Earnings per share – Basic previously reported	2.46	0.79
Restatement adjustment	2.74	1.24
Basic earnings per share – restated	5.20	2.03
Earnings per share – Diluted previously reported	2.40	0.77
Restatement adjustment	2.69	1.22
Diluted earnings per share - restated	\$ 5.09	\$ 1.99

(1) Adjustments to the statement of income and comprehensive income are for the three months ended June 30, 2022.

3. 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 necessarily 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. The Company's derivative financial instruments have been assessed on the fair value hierarchy described above and classified as Level 2. The Company's natural gas embedded derivative has been assessed on the fair value hierarchy described above and classified as Level 3.

4. 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, 2021.

Market Risk:

As at September 30, 2022, the Company has entered into certain financial derivative contracts in order to manage commodity price and foreign exchange risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity and foreign exchange 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 and comprehensive income.

The Company has the following financial derivative contracts in place as at September 30, 2022 ⁽¹⁾:

		2022	2023	2024	2025	2026	Fair Value (000s)
Gas							
AECO swaps ⁽²⁾	<i>mmbtu/d</i>	63,205	44,262	18,917	–	–	\$ (74,387)
	<i>CAD\$/mmbtu</i>	\$ 2.21	\$ 2.27	\$ 2.26			
NYMEX swaps	<i>mmbtu/d</i>	202,130	198,329	80,000	60,000	60,000	\$ (347,300)
	<i>USD\$/mmbtu</i>	\$ 3.17	\$ 3.35	\$ 3.94	\$ 4.14	\$ 4.14	
Swaps - other	<i>mmbtu/d</i>	5,000	–	–	–	–	\$ (2,546)
	<i>USD\$/mmbtu</i>	\$ 3.69					
AECO basis swaps	<i>mmbtu/d</i>	9,400	–	–	–	–	\$ 2,382
	<i>CAD\$/mmbtu</i>	\$ (1.16)					
International swaps	<i>mmbtu/d</i>	–	26,685	11,694	2,932	–	\$ (107,279)
	<i>USD\$/mmbtu</i>		\$ 34.20	\$ 27.13	\$ 30.00		
Basis differentials – other	<i>mmbtu/d</i>	37,500	37,500	27,500	–	–	\$ (20,838)
	<i>USD\$/mmbtu</i>	\$ 0.29	\$ 0.29	\$ 0.28			
AECO financial collars	<i>mmbtu/d</i>	31,577	16,087	3,535	–	–	\$ (28,005)
	<i>CAD\$/mmbtu</i>	\$2.17-2.67	\$2.27-2.73	\$2.41-2.85			
Call options (writer) ⁽³⁾	<i>mmbtu/d</i>	68,370	34,932	20,000	10,000	10,000	\$ (53,495)
	<i>USD\$/mmbtu</i>	\$ 4.08	\$ 8.43	\$ 8.00	\$ 9.00	\$ 9.00	
Oil							
Financial swaps	<i>bbls/d</i>	11,500	6,240	1,000	–	–	\$ (4,064)
	<i>USD\$/bbl</i>	\$ 67.37	\$ 76.00	\$ 78.20			
Financial swaps	<i>bbls/d</i>	500	650	249	–	–	\$ (13,398)
	<i>CAD\$/bbl</i>	\$ 62.20	\$ 64.09	\$ 63.95			
Financial collars	<i>bbls/d</i>	1,300	400	–	–	–	\$ (12,049)
	<i>CAD\$/bbl</i>	\$ 51.65 - 61.09	\$ 58.25 - 70.24				
NYMEX call options	<i>bbls/d</i>	3,000	2,581	–	–	–	\$ (20,386)
	<i>USD\$/bbl</i>	\$ 91.67	\$ 68.67				
Propane financial swaps ⁽⁴⁾	<i>bbls/d</i>	4,011	740	–	–	–	\$ 8,378
	<i>USD\$/bbl</i>	\$ 47.85	\$ 49.89				
Total fair value							\$ (672,987)

(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, 2022:

Type of Contract	Quantity	Time Period	Contract Price
Financial swaps - oil	1,000 bbls/d	January 2023 – December 2023	\$81.50 USD/bbl
Financial swaps - propane	500 bbls/d	January 2023 – December 2023	\$43.53 USD/bbl

The Company has the following financial foreign currency derivative contracts in place at September 30, 2022:

		2022	2023	2024	Fair Value (000s)
Costless collar ⁽¹⁾	<i>\$USD(000s) Monthly</i>	\$ 51,000	\$ 115,583	\$ 61,000	\$ (236,430)
		\$ 1.226 –	\$ 1.268 –	\$ 1.279 –	
	<i>\$CAD/\$USD</i>	\$ 1.320	\$ 1.383	\$ 1.413	
Average rate forward	<i>\$USD(000s) Monthly</i>	\$ 30,000	\$ 37,833	\$ 17,000	\$ (59,538)
	<i>\$CAD/\$USD</i>	\$ 1.269	\$ 1.295	\$ 1.30	
Average rate puts	<i>\$USD(000s) Monthly</i>	\$ 7,667	–	–	\$ (638)
	<i>\$CAD/\$USD</i>	\$ 1.209	–	–	
Total fair value					\$ (296,606)

(1) A portion of these financial collars have a European call writer option at period end that if called would result in an average rate forward for the following year in the following amounts, \$25.5 million/month at \$1.319 for 2023, \$61.7 million/month at \$1.390 for 2024 and \$33.0 million/month at \$1.440 for 2025.

The Company has not entered into any foreign currency derivative contracts subsequent to September 30, 2022.

In July 2021, the Company entered into a 15-year natural gas supply agreement, under which Tourmaline will deliver 140,000 mmbtu/d (approximately 140,000 mcf/d), commencing in January 2023. Under the terms of the agreement, Tourmaline will deliver natural gas to its counterparty at a delivery point in Louisiana, USA and receive a Japan Korea Marker ("JKM") index price less deductions for transport and liquefaction. Due to the fact that the volumes are delivered to a counterparty in the United States but Tourmaline ultimately receives a JKM index price, it was determined that the agreement also contained an embedded derivative as a result of the pricing spread between JKM and NYMEX. The Company defined the host contract as a natural gas sales contract with an underlying natural gas price of NYMEX.

The Company determines the fair value of the natural gas embedded derivative, at the end of each period, through the use of internal models which incorporate significant unobservable inputs (Level 3 inputs). In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks, such as future prices of energy for unobservable periods, volatility, foreign exchange and contract duration. When determining fair value estimates the Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company will have unrealized gains (losses) on the natural gas embedded derivative based on the movements in the JKM and NYMEX price forecasts. The Company will not have realized gains (losses) on the natural gas embedded derivative until the Company begins delivering natural gas, which is expected to commence in January 2023. For the three and nine months ended September 30, 2022, the natural gas embedded derivative resulted in an unrealized gain of \$2.1 billion and \$3.8 billion, respectively, as a result of the strengthening of the forecast JKM price relative to the forecast NYMEX price. At September 30, 2022, the total fair value of the natural gas embedded derivative was \$3.8 billion.

The following table includes quantitative information for the unobservable inputs for the Level 3 natural gas embedded derivative as at September 30, 2022.

	Net fair value asset (millions)	Valuation Approach	Significant unobservable input	Range of significant unobservable inputs/weighted average
Natural gas embedded derivative	\$3,839.1	Market approach incorporating present value techniques	JKM index pricing spread relative to NYMEX	231% - 953% / 494%

The Level 3 fair value measurements of the natural gas embedded derivative could be materially impacted by a change in the discount rate and significant price movements in natural gas, including international LNG prices. At September 30, 2022, a change in the discount rate or a change in the price of the JKM index over the 15-year contract would have the following impact on the fair value of the embedded derivative:

(000s)	Discount rate		JKM Price	
	1% Increase	1% decrease	5% Increase	5% decrease
Fair value – increase (decrease)	\$ (62,005)	\$ 64,626	\$ 286,102	\$ (286,102)

The following table is a summary of the fair value of financial instruments as at September 30, 2022:

(000s)	Financial derivative contracts	Foreign currency derivative contracts	Natural gas embedded derivative	Total
Current asset	\$ 62,066	\$ 321	\$ 1,364,962	\$ 1,427,349
Long-term asset	48,762	129	2,474,175	2,523,066
Current liability	(582,126)	(188,942)	–	(771,068)
Long-term liability	(201,689)	(108,114)	–	(309,803)
Total fair value of financial instruments	\$ (672,987)	\$ (296,606)	\$ 3,839,137	\$ 2,869,544

The following table provides a summary of the unrealized gains (losses) on financial instruments recorded in the interim consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2022 and 2021:

(000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Unrealized gain (loss) on financial instruments – commodity contracts	\$ 50,857	\$ (238,471)	\$ (361,809)	\$ (445,819)
Unrealized gain on financial instruments – interest rate swaps	–	2,844	–	15,188
Unrealized (loss) on financial instruments – foreign currency	(268,792)	(16,363)	(283,278)	(17,844)
Unrealized gain on financial instruments – natural gas embedded derivative	2,083,836	–	3,839,137	–
Total unrealized gain (loss) on financial instruments	\$ 1,865,901	\$ (251,990)	\$ 3,194,050	\$ (448,475)

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 unaudited interim condensed consolidated financial statements.

The Company has the following physical commodity contracts in place at September 30, 2022 ⁽¹⁾⁽⁹⁾:

		2022	2023	2024	2025	2026
Gas						
Fixed price ⁽²⁾	<i>mmbtu/d</i>	584,394	400,899	138,677	90,043	33,174
	<i>CAD\$/mmbtu</i>	\$ 4.99	\$ 4.61	\$ 4.44	\$ 4.49	\$ 4.23
Basis differentials - AECO ⁽³⁾	<i>mmbtu/d</i>	230,870	203,247	120,833	81,726	63,452
	<i>USD\$/mmbtu</i>	\$ (0.70)	\$ (0.74)	\$ (0.69)	\$ (0.67)	\$ (0.63)
Basis differentials - Dawn	<i>mmbtu/d</i>	20,000	20,000	16,667	10,000	10,000
	<i>USD\$/mmbtu</i>	\$ (0.10)	\$ (0.08)	\$ (0.06)	\$ (0.04)	\$ (0.04)
Basis differentials – Stn 2 ⁽⁴⁾	<i>mmbtu/d</i>	7,984	–	–	–	–
	<i>CAD\$/mmbtu</i>	\$ 0.02				
Basis differentials – Hunt ⁽⁵⁾	<i>mmbtu/d</i>	20,000	16,658	–	–	–
	<i>USD\$/mmbtu</i>	\$ (0.50)	\$ (0.50)			
Basis differentials – Other ⁽⁶⁾	<i>mmbtu/d</i>	50,000	47,514	62,500	35,000	–
	<i>USD\$/mmbtu</i>	\$ 0.30	\$ 0.16	\$ (0.09)	\$ (0.24)	
Oil						
Basis differentials ⁽⁷⁾	<i>bbls/d</i>	1,539	–	–	–	–
	<i>USD\$/bbl</i>	\$ (4.67)				
Condensate differentials ⁽⁸⁾	<i>bbls/d</i>	3,078	–	–	–	–
	<i>USD\$/bbl</i>	\$ (1.83)				

(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, Malin, Iroquois, Chicago and Emerson.

(3) A portion of these basis deals have a cap on NYMEX, 44.4 mmcf/d at USD\$4.48/mcf for 2022-2024.

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

(5) A portion of these basis deals have a cap on Hunt of USD\$3.00/mmbtu, delivered at Stn 2.

(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) Tourmaline also has entered into deals to sell 20,000 mmbtu/d priced off Chicago GDD that extends 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, 2022:

Type of Contract	Quantity	Time Period	Contract Price
Gas Fixed Price	6,000 GJ/d	November 2022	\$5.69 CAD/GJ
Gas Fixed Price	30,000 GJ/d	November 2022 – March 2023	\$5.86 CAD/GJ
Gas Fixed Price	5,000 GJ/d	December 2022	\$6.25 CAD/GJ
Gas Fixed Price	100 GJ/d	March 2023	\$5.50 CAD/GJ
Gas Fixed Price	60,000 GJ/d	April 2023 – October 2023	\$4.18 CAD/GJ
Gas Fixed Price	40,000 GJ/d	January 2024 – December 2024	\$4.21 CAD/GJ
Gas Fixed Price	30,000 GJ/d	January 2025 – December 2025	\$4.32 CAD/GJ

Capital Management:

The Company's policy is to maintain a strong capital base to preserve investor, creditor and market confidence and to sustain the future development of the business. The Company considers its capital structure to include shareholders' equity, bank debt, senior unsecured notes and working capital. In order to maintain or adjust the capital structure, the Company may from time-to-time issue or buyback shares, issue debt, adjust its dividend policy and adjust its capital spending to manage current and projected debt levels. The annual and updated budgets are approved by the Board of Directors.

The key measure that the Company utilizes in evaluating its capital structure is net debt to annualized cash flow, which is defined as bank debt and senior unsecured notes plus working capital (adjusted for the fair value of short term financial instrument liabilities, short term lease liabilities, short term decommissioning obligations and unrealized foreign exchange), to annualized cash flow (based on the most recent quarter), defined as cash flow from operating activities before changes in non-cash working capital. Net debt to annualized cash flow represents a measure of the time it is expected to take to pay off the debt if no further capital expenditures were incurred and if cash flow in the next year were equal to the amount in the most recent quarter annualized.

As shown below, as at September 30, 2022, the Company's ratio of net debt to annualized cash flow was 0.13 to 1.00 (December 31, 2021 – 0.25 to 1.00).

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Net debt:		
Working capital (deficit)	\$ 513,115	\$ (361,034)
Fair value of financial instruments – short-term (asset) liability	(656,281)	240,970
Lease liabilities – short-term	3,101	2,997
Decommissioning obligations – short-term	30,000	20,103
Unrealized foreign exchange in working capital – (asset)	(6,306)	(6,441)
Adjusted working capital	\$ (116,371)	\$ (103,405)
Bank debt	–	(421,539)
Senior unsecured notes	(448,262)	(448,035)
Net debt	\$ (564,633)	\$ (972,979)
Annualized cash flow:		
Cash flow from operating activities for the quarter	\$ 1,112,202	\$ 1,058,460
Income tax expense	(4,335)	–
Change in non-cash working capital	(56,467)	(90,224)
Cash flow	\$ 1,051,400	\$ 968,236
Annualized cash flow (based on most recent quarter annualized)	\$ 4,205,600	\$ 3,872,944
Net debt to annualized cash flow	0.13	0.25

For the nine months ended September 30, 2022, the Company has increased its quarterly dividend from \$0.18 per share to \$0.225 per share and paid special dividends of \$1.25, \$1.50 and \$2.00 per share.

5. EXPLORATION AND EVALUATION ASSETS

(000s)

As at January 1, 2021	\$ 509,533
Transfers to property, plant and equipment (note 6)	(52,267)
Divestitures	(6,901)
Expired mineral leases	(48,007)
Loss of control of Topaz	(32,476)
As at December 31, 2021	\$ 369,882
Transfers to property, plant and equipment (note 6)	(34,196)
Divestitures	(42)
Expired mineral leases	(31,500)
As at September 30, 2022	\$ 304,144

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proved and/or probable reserves. Expired mineral lease expenses have been included in the "Depletion, Depreciation and Amortization" line item on the interim statements of income and comprehensive income.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2022 and December 31, 2021, the Company determined that no internal or external indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

6. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Cost

(000s)

As at January 1, 2021	\$ 17,555,185
Capital expenditures	1,449,080
Transfers from exploration and evaluation (note 5)	52,267
Change in decommissioning liabilities (note 8)	22,946
Corporate acquisitions	1,438,462
Property acquisitions	662,584
Divestitures	(179,708)
Loss of control of Topaz	(1,618,413)
As at December 31, 2021	\$ 19,382,403
Capital expenditures	1,195,898
Transfers from exploration and evaluation (note 5)	34,196
Change in decommissioning liabilities (note 8)	(138,966)
Property acquisitions	287,273
Corporate acquisition	306,837
Divestitures	(76,827)
As at September 30, 2022	\$ 20,990,814

Accumulated Depletion, Depreciation, Amortization and Impairment

(000s)

As at January 1, 2021	\$ 5,923,152
Depletion, depreciation and amortization	1,031,428
Impairment (reversal)	(236,810)
Divestitures	(15,529)
Loss of control of Topaz	(783,416)
As at December 31, 2021	5,918,825
Depletion, depreciation and amortization	842,224
Divestitures	(421)
As at September 30, 2022	\$ 6,760,628

Net Book Value

(000s)

As at December 31, 2021	\$ 13,463,578
As at September 30, 2022	\$ 14,230,186

Future development costs of \$12.3 billion were included in the depletion calculation at September 30, 2022 (December 31, 2021 – \$11.0 billion).

Capitalization of G&A and Share-Based Payments

A total of \$37.0 million in G&A expenditures have been capitalized and included in PP&E for the nine months ended September 30, 2022 (December 31, 2021 – \$38.4 million). Also included in PP&E are non-cash share-based payments of \$12.9 million (December 31, 2021 - \$12.0 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 September 30, 2022, the Company did not identify indicators of impairment on any of its CGUs and therefore, an impairment test was not performed.

At December 31, 2021, the Company did not identify indicators of impairment on any of its CGUs; therefore, an impairment test was not performed. The Company did however identify indicators of impairment reversal on the Spirit River CGU due to the increase in expected future cash flows and the sustained improvement in forecasted oil and gas commodity prices.

The Company determined that there was a reversal of impairment to PP&E at December 31, 2021 and reversed the full amount of the impairment loss of \$250.0 million, net of DD&A, that would have been recorded had no impairment been recorded. The net impairment reversal recorded in the Company's consolidated statement of income and comprehensive income for the year ended December 31, 2021 was \$236.8 million. At December 31, 2021, after the reversal of impairment in the Spirit River CGU, there are no historical impairment charges that have not been reversed.

Corporate Acquisition

Rising Star

On August 10, 2022, the Company acquired all of the issued and outstanding shares of Rising Star. As consideration, the Company included 6.0 million common shares of Topaz which were owned by Tourmaline at a price of \$20.56 for Topaz share consideration of \$123.4 million and cash consideration of \$67.8 million for total consideration of \$191.1 million, including working capital. Total transaction costs incurred by the Company of \$0.4 million associated with this acquisition were expensed in the unaudited interim consolidated statement of income and comprehensive income.

Results from operations for Rising Star 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, 2021 by independent third-party reserve evaluators and internally updated to reflect activity up to August 10, 2022. 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:

<i>(000s)</i>	Rising Star
Fair value of net assets acquired:	
Working capital	\$ 6,401
Property, plant and equipment	306,837
Right-of-use assets	335
Bank debt	(3,439)
Lease liabilities	(335)
Decommissioning obligations	(25,367)
Deferred income taxes	(44,069)
Gain on acquisition	(49,233)
Total	\$ 191,130
Consideration:	
Cash	\$ 67,770
Topaz shares	123,360
Total	\$ 191,130

Included in the Company's unaudited interim consolidated statements of income and comprehensive income for the nine months ended September 30, 2022, are the following amounts relating to Rising Star since August 10, 2022:

<i>(000s)</i>	Rising Star
Oil and natural gas sales	\$ 13,350
Net income and comprehensive income attributable to common shareholders	\$ 3,746

If the Company had acquired Rising Star on January 1, 2022, the pro-forma results of the oil and gas sales and net income and comprehensive income for the nine months ended September 30, 2022 would have been as follows:

<i>(000s)</i>	As Stated	Rising star	Pro-forma nine months ended September 30, 2022
Oil and natural gas sales	\$ 6,178,322	\$ 103,636	\$ 6,281,958
Net income and comprehensive income attributable to common shareholders	\$ 4,517,415	\$ 22,554	\$ 4,539,969

Acquisitions of Oil and Natural Gas Properties

On February 15, 2022, the Company acquired land in NEBC for cash consideration of \$20.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$20.0 million and the assumption of nil in decommissioning liabilities.

On April 12, 2022, the Company acquired the remaining interest in two gas processing facilities in NEBC in which the Company was already a working interest owner for cash consideration of \$235.3 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$236.2 million and the assumption of \$0.9 million in decommissioning liabilities.

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

Dispositions of Oil and Natural Gas Properties

On September 1, 2022, the Company sold a royalty interest on some of its developed and undeveloped lands to Topaz for cash consideration of \$51.0 million, before customary closing adjustments. The transaction resulted in a gain on disposition of \$28.9 million which was recorded in the Company's consolidated income statement for the three and nine months ended September 30, 2022.

On September 29, 2022, the Company sold non-core assets acquired from Rising Star for cash consideration of \$16.7 million, before customary closing adjustments. The disposition resulted in a decrease in PP&E of approximately \$43.1 million and decommissioning obligations of \$26.2 million.

Total Acquisitions and Dispositions of Oil and Natural Gas Properties

In total, for the nine months ended September 30, 2022, the Company completed property acquisitions for cash consideration of \$261.7 million, including the acquisitions discussed above (December 31, 2021 - \$545.9 million) and \$7.4 in acquisitions involving non-cash consideration (December 31, 2021 - \$89.4 million). The Company assumed \$18.1 million in decommissioning liabilities as a result of these acquisitions (December 31, 2021 - \$27.3 million).

The Company also completed property dispositions, for the nine months ended September 30, 2022, for total cash consideration of \$71.4 million, including the dispositions discussed above (December 31, 2021 - \$392.6 million) and non-cash consideration of \$7.4 million (December 31, 2021 - \$21.5 million). The Company removed \$26.3 in decommissioning liabilities as a result of these dispositions (December 31, 2021 - \$0.9 million).

7. LEASES

Right-of-Use Assets

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Balance, beginning of period	\$ 10,825	\$ 12,018
Additions	1,183	1,717
Modifications	561	(334)
Right-of-use assets acquired from corporate acquisitions	335	1,343
Depreciation	(2,560)	(3,919)
Balance, end of period	\$ 10,344	\$ 10,825

Lease Liabilities

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Balance, beginning of period	\$ 11,169	\$ 12,175
Additions	1,183	1,717
Modifications	561	(334)
Lease liabilities acquired from corporate acquisitions	335	1,343
Lease interest expense	237	349
Lease payments	(2,747)	(4,081)
Balance, end of period	\$ 10,738	\$ 11,169
Current lease liabilities	\$ 3,101	\$ 2,997
Long-term lease liabilities	\$ 7,637	\$ 8,172

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.

8. 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 \$1.2 billion (December 31, 2021 – \$1.0 billion). A risk-free rate of 3.09% (December 31, 2021 – 1.68%) and an inflation rate of 1.65% (December 31, 2021 – 1.82%) were used to calculate the decommissioning obligations. The decommissioning obligations at September 30, 2022 have been reduced by approximately \$155.2 million reflecting the change in the risk-free rate.

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Balance, beginning of period	\$ 648,142	\$ 595,432
Obligation incurred	16,266	30,703
Obligation incurred on corporate acquisitions (<i>note 6</i>)	25,367	10,333
Obligation incurred on property acquisitions (<i>note 6</i>)	18,115	27,291
Obligation divested	(26,253)	(871)
Obligation settled	(26,361)	(14,172)
Accretion expense	14,340	11,857
Change in future estimated cash outlays	(155,232)	(7,757)
Loss of control of Topaz	–	(4,674)
Balance, end of period	\$ 514,384	\$ 648,142
Current decommissioning obligations	\$ 30,000	\$ 20,103
Long-term decommissioning obligation	\$ 484,384	\$ 628,039

9. BANK DEBT

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Revolving credit facility	\$ –	\$ 422,763
Debt issue costs	–	(1,224)
Bank debt	\$ –	\$ 421,539

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks, in the amount of \$2.55 billion. In June 2022, the Company extended the maturity date of the revolving credit facility to June 2027. 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, 2021. 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 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/SOFR (for U.S. borrowings), plus applicable margins.

U.S. dollar LIBOR benchmarks were phased out beginning December 31, 2021, and replaced with the SOFR, 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 June 2022, the Company extended the maturity date of the operating credit facility to June 2024. With the exception of the change in maturity date, the operating 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, 2021. 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.

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 \$27.2 million (December 31, 2021 - \$22.5 million), which reduces the credit available on this facility.

The Company's aggregate borrowing capacity is \$3.1 billion at September 30, 2022, including the senior unsecured notes (note 10). As at, and for the quarter ending September 30, 2022, the Company is in compliance with all debt covenants.

As at September 30, 2022, the Company had nil drawn against the operating credit facility and \$448.3 million of senior unsecured notes for total bank debt and senior unsecured notes of \$448.3 million (net of debt issue costs) (December 31, 2021 - \$869.6 million). The effective interest rate for the nine months ended September 30, 2022, was 3.11% (nine months ended September 30, 2021 – 1.75%).

10. SENIOR UNSECURED NOTES

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Senior unsecured notes	\$ 450,000	\$ 450,000
Debt issue costs	(1,738)	(1,965)
Senior unsecured notes	\$ 448,262	\$ 448,035

On January 25, 2021, the Company issued \$250.0 million of senior unsecured notes. The notes bear interest at a fixed rate of 2.077%, payable semi-annually commencing on July 25, 2021, with a maturity 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 maturity 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.

11. INVESTMENT IN TOPAZ

At September 30, 2022, the Company owned 31.3% of the outstanding common shares of its associate, Topaz Energy Corp. ("Topaz"). A reconciliation of the investment in Topaz is provided below:

<i>(000s)</i>	As at September 30, 2022	As at December 31, 2021
Balance, beginning of period	\$ 745,924	\$ –
Fair value of investment in Topaz recognized on loss of control	–	870,498
Income from investment in Topaz	28,379	7,998
Dividends received from Topaz	(39,239)	(36,117)
Divestitures of Topaz common shares	(87,976)	(103,347)
Gain on dilution of investment in Topaz	8,711	6,892
Balance, end of period	\$ 655,799	\$ 745,924

For the nine months ended September 30, 2022, Topaz paid a cash dividend of \$0.80 per common share and Tourmaline received \$39.2 million, which was recorded as a reduction to the investment in Topaz.

On April 29, 2022, Topaz completed the acquisition of Keystone Royalty Corp. which resulted in the issuance of 4.2 million Topaz common shares and a reduction in Tourmaline's ownership interest from 36.6% to 35.6%. The dilution of Tourmaline's ownership in Topaz resulted in a gain of \$8.7 million as the transaction was completed at a higher valuation of the Topaz shares when compared to Tourmaline's carrying value of its Topaz investment.

On August 10, 2022, the Company completed the acquisition of Rising Star which included consideration of 6.0 million Topaz common shares which resulted in a reduction in Tourmaline's ownership interest from 35.5% to 31.3%. The divestiture of Topaz common shares resulted in a reduction of Tourmaline's investment in Topaz of \$88.0 million and a gain on disposition of \$35.4 million.

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 September 30, 2022		As at December 31, 2021	
	Number of Shares	Amount	Number of Shares	Amount
<i>(000s) except share amounts</i>				
Balance, beginning of period	330,860,313	\$ 7,482,534	296,571,516	\$ 6,328,115
Issued on corporate acquisitions	–	–	27,250,000	939,580
Purchase of common shares under NCIB	–	–	(200,000)	(4,493)
For cash on exercise of stock options	6,904,812	168,937	7,238,797	171,517
Contributed surplus on exercise of stock options	–	47,878	–	47,815
Balance, end of period	337,765,125	\$ 7,699,349	330,860,313	\$ 7,482,534

Normal course issuer bid

On July 27, 2022, the Company renewed its normal course issuer bid ("NCIB") with the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase up to 16,800,668 common shares, representing 5% of its common shares outstanding at July 19, 2022, over a period of twelve months commencing on August 2, 2022. 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, 2022, the Company did not purchase any common shares for cancellation.

Dividends

During the three and nine months ended September 30, 2022, the Company paid a cash dividend of \$0.225 and \$0.650 per common share totalling \$75.9 million and \$218.0 million, respectively, compared to \$0.17 and \$0.49 per common share totalling \$55.7 million and \$161.8 million, respectively, for the same periods of the prior year.

On February 1, 2022, the Company paid a special dividend of \$1.25 per common share totalling \$414.5 million.

On May 19, 2022, the Company paid a special dividend of \$1.50 per common share totalling \$502.3 million.

On July 27, 2022, the Company paid a special dividend of \$2.00 per common share totalling \$672.6 million.

13. EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income and comprehensive income attributable to shareholders of the Company for the period (000s)	\$ 2,097,929	\$ 361,057	\$ 4,517,415	\$ 1,029,743
Weighted average number of common shares – basic	336,628,504	322,678,243	334,682,752	305,742,262
Earnings per share – basic	\$ 6.23	\$ 1.12	\$ 13.50	\$ 3.37

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income and comprehensive income attributable to shareholders of the Company for the period (000s)	\$ 2,097,929	\$ 361,057	\$ 4,517,415	\$ 1,029,743
Weighted average number of common shares – diluted	343,461,348	328,272,905	341,926,025	309,744,281
Earnings per share – diluted	\$ 6.11	\$ 1.10	\$ 13.21	\$ 3.32

There were 3,596,175 and 3,678,675 options excluded from the weighted-average share calculations for the three and nine months ended September 30, 2022, respectively, because they were anti-dilutive (three and nine months ended September 30, 2021 – 4,931,825 and 6,899,925, respectively, 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 28,710,035 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.

	2022		Nine Months Ended September 30, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of period	16,372,528	\$ 24.83	18,324,711	\$ 22.11
Granted	3,893,675	74.13	5,256,825	31.37
Exercised	(6,904,812)	24.47	(5,976,853)	23.35
Expired	–	–	(214,164)	27.43
Forfeited	(69,608)	35.85	(135,800)	28.22
Stock options outstanding, end of period	13,291,783	\$ 39.41	17,254,719	\$ 24.38

The average trading price of the Company's common shares was \$63.86 during the nine months ended September 30, 2022 (nine months ended September 30, 2021 – \$28.76).

The following table summarizes stock options outstanding and exercisable at September 30, 2022:

Range of Exercise Price	Number Outstanding at Period End	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable at Period End	Weighted Average Exercise Price
\$9.39 - \$17.84	3,720,589	4.50	\$ 15.72	2,355,445	\$ 15.07
\$17.85 - \$31.90	1,248,430	3.37	23.32	879,101	23.33
\$31.91 - \$32.11	3,611,934	5.68	31.96	784,819	31.96
\$32.12 - \$77.18	1,608,655	5.93	49.98	148,124	34.50
\$77.19 - \$77.49	3,102,175	6.93	77.49	–	–
	13,291,783	5.46	\$ 39.41	4,167,489	\$ 20.68

The fair value of options granted during the nine-month period ended September 30, 2022, 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,	
	2022	2021
Fair value of options granted (weighted average)	\$ 25.89	\$ 9.00
Risk-free interest rate	3.19%	0.85%
Estimated hold period prior to exercise	4.2 years	4.6 years
Expected volatility	42%	40%
Forfeiture rate	1.8%	1.9%
Dividend per share	\$ 0.86	\$ 0.62

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 ⁽¹⁾	\$ 3,080	\$ 7,129	\$ 5,645	\$ 2,079	\$ 17,933
Firm transportation agreements	874,683	1,681,218	1,398,958	4,955,449	8,910,308
Processing commitments ⁽²⁾	152,211	284,500	248,648	491,134	1,176,493
Capital commitments ⁽³⁾	74,250	11,554	–	–	85,804
Senior unsecured notes ⁽⁴⁾	10,378	20,757	20,757	458,747	510,639
	\$1,114,602	\$2,005,158	\$ 1,674,008	\$5,907,409	\$10,701,177

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

(2) Includes processing commitments and power commitments.

(3) Includes drilling commitments.

(4) Includes interest expense at an annual rate of 2.31% being the fixed rate on the senior unsecured notes.

16. 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 25th 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,	
	2022	2021	2022	2021
Natural gas				
Sales from production	\$ 989,106	\$ 826,225	\$ 3,874,154	\$ 2,098,495
Premium (loss) on risk management activities	331,230	14,069	102,666	(9,557)
	1,320,336	840,294	3,976,820	2,088,938
Oil				
Sales from production	111,488	73,957	352,276	201,256
Premium on risk management activities	3,338	1,599	8,987	5,188
	114,826	75,556	361,263	206,444
Condensate				
Sales from production	306,184	230,699	1,069,742	576,857
Premium (loss) on risk management activities	183	(365)	(3,785)	(3,267)
	306,367	230,334	1,065,957	573,590
NGL				
Sales from production	270,592	192,322	882,150	467,940
Marketing revenue ⁽¹⁾				
	5,456	13,195	34,325	40,530
Total				
Commodity sales from production	1,677,370	1,323,203	6,178,322	3,344,548
Premium (loss) on risk management activities	334,751	15,303	107,868	(7,636)
Marketing revenue	5,456	13,195	34,325	40,530
Revenue from contracts with customers	\$ 2,017,577	\$ 1,351,701	\$ 6,320,515	\$ 3,377,442

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and nine months ended September 30, 2022, the Company had marketing purchases from third parties of \$4.8 million and \$29.3 million, respectively (three and nine months ended September 30, 2021 - \$11.5 million and \$37.7 million, respectively).

17. RELATED PARTY

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. From January 1, 2022, to September 30, 2022, gross overriding royalties of \$144.6 million and processing fees of \$28.9 million were payable to Topaz and are included in the Company's consolidated statement of income and comprehensive income as royalties and operating expenses. At September 30, 2022, \$29.1 million of the Company's accounts payable balance was due to Topaz.

From January 1, 2021, to June 8, 2021, transactions between Tourmaline and Topaz were eliminated on consolidation while Topaz was a subsidiary of Tourmaline. Subsequent to June 8, 2021, Topaz became an associate of Tourmaline and was deconsolidated, and as a result, transactions between Tourmaline and Topaz were no longer eliminated.