



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

As at March 31, 2022 and for the three months ended March 31, 2022 and 2021

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline Oil Corp.'s ("Tourmaline" or the "Company") unaudited interim condensed consolidated financial statements and related notes as at and for the three months ended March 31, 2022 and the consolidated financial statements for the year ended December 31, 2021. The consolidated financial statements and the MD&A can be found at [www.sedar.com](http://www.sedar.com) or [www.tourmalineoil.com](http://www.tourmalineoil.com). This MD&A is dated May 4, 2022.

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board.

All dollar amounts are expressed in Canadian currency, unless otherwise noted.

This MD&A contains certain specified financial measures consisting of non-GAAP financial measures, non-GAAP financial ratios and capital management measures. See "Non-GAAP and Other Financial Measures" for information regarding the following non-GAAP financial measures, non-GAAP financial ratios and capital management measures used in this MD&A: "cash flow", "capital expenditures", "operating netback", "operating netback per boe", "adjusted working capital" and "net debt". Since these specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly defined, qualified and, where required, reconciled with their nearest GAAP measure. See "Non-GAAP and Other Financial Measures" for further information on the definition, calculation and reconciliation of these measures.

**Forward-Looking Statements** - Certain information regarding Tourmaline set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such statements represent Tourmaline's internal projections, forecasts, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment or expenditures, anticipated future debt, expenses, production, cash flow and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Tourmaline believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social risks, uncertainties and contingencies.

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues and cash flow from, crude oil, condensate, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, condensate, NGL and natural gas properties; crude oil, condensate, NGL and natural gas production levels and product mix; the payment of any dividends (regular or special) and the timing and amount

thereof; the expectation for potential share buybacks; Tourmaline's future operating and financial results; capital investment programs; supply and demand for crude oil, condensate, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; future land expiries; dispositions and joint venture arrangements; amount of operating, transportation and general and administrative expenses; treatment under governmental regulatory regimes and tax and environmental laws and regulations; and estimated tax pool balances. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including the impact of general economic conditions; volatility and uncertainty in market prices for crude oil, condensate, NGL and natural gas; industry conditions; currency and interest rate fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil, condensate, NGL and natural gas operations; environmental, political, social and regulatory risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management and skilled labour; its ability to maintain its investment grade credit rating; changes in income tax and environmental laws and regulations and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, any of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; the receipt of applicable regulatory or third-party approvals; climate change risks; inflation; supply chain risks; risks of war, hostilities, cyberattacks, civil insurrection and pandemics (including the COVID-19 pandemic); the effects and impacts of the COVID-19 pandemic as further described herein; general economic and business conditions and markets; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available at [www.sedar.com](http://www.sedar.com) and under "Business Risks and Uncertainties" in this MD&A.

With respect to forward-looking statements contained in this MD&A, Tourmaline has made assumptions regarding: prevailing and future commodity prices and royalty regimes and tax laws; future well production rates and reserve volumes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; future operating costs; decommissioning obligations; and ability to market crude oil, condensate, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, cash flow, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tourmaline to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide readers with a more complete perspective on Tourmaline's future operations and such information may not be appropriate for other purposes. Tourmaline's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

These forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Boe Conversions - Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

## **OPERATING ENVIRONMENT AND THE COVID-19 PANDEMIC**

The COVID-19 pandemic had a significantly negative impact on global economic conditions in 2020 which included a large decrease in oil demand which combined with other macro-economic conditions resulted in significant volatility of commodity prices as well as increased economic uncertainty. 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.

Throughout 2021 and 2022, there has been an economic recovery providing for more positive outlooks on commodity prices and general market and industry conditions as COVID-19 vaccination rates continue to increase and government restrictions are slowly eased. Additionally, in 2022 Russia's invasion of Ukraine has raised global concerns over oil and natural gas supply and significantly increased benchmark commodity prices and inflationary pressures on governments, businesses, and communities.

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the COVID-19 pandemic and Russia's invasion of Ukraine, 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 relating to the COVID-19 pandemic which Tourmaline and its business and operations are subject to.

## 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 has issued an 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 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. 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](http://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 International Sustainability Standards Board.

## SIGNIFICANT ACQUISITION ACTIVITY

There have been no significant acquisitions completed during the three months ended March 31, 2022. The following table summarizes the significant acquisition activity of the Company for the year ended December 31, 2021:

Acquisition	Type	Date	CGU	Purchase Price <sup>(1)</sup> (\$ MMs)	Production <sup>(2)</sup> (boe/d)
Saguaro	Property	April 15, 2021	BC Montney	\$ 205.0	9,000
Paramount	Property	July 15, 2021	BC Montney	\$ 85.6	2,400
Black Swan	Corporate	July 15, 2021	BC Montney	\$ 869.5	50,000

(1) These amounts reflect the purchase price paid in cash and/or common shares.

(2) Estimated production at the effective date of the acquisition.

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

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

Tourmaline’s remaining equity interest in Topaz was measured at fair value of \$870.5 million, using the market price of the Topaz shares on the day that Tourmaline lost control, and is included on the consolidated financial statements as at December 31, 2021, as an investment in Topaz. Topaz is now classified as an associate which is an entity in which the Company has significant influence, but not control, over Topaz’s financial and operating policies. Interests in associates are accounted for using the equity method whereby subsequent to initial recognition, the consolidated financial statements include the Company’s share of the profit or loss and dividends paid by the associate until the date on which significant influence ceases.

Subsequent to June 8, 2021, intercompany transactions between Tourmaline and Topaz were no longer eliminated on consolidation. As such, there was an increase in the Company’s royalty expenses and operating expenses reflecting the royalty interests sold to Topaz and interests in infrastructure assets sold to Topaz on which Tourmaline incurs processing fees. The Company also experienced a decrease in other income as a significant portion of the other income stream was sold to Topaz on its formation along with other third-party processing agreements Topaz entered into with third parties. The Company records quarterly dividends received from Topaz as cash flow from operating activities. At March 31, 2022, Tourmaline owns 36.6% of the Topaz common shares outstanding.

## PRODUCTION

	Three Months Ended March 31,		
	2022	2021	Change
Natural gas ( <i>mcf/d</i> )	2,360,941	1,917,648	23%
Oil ( <i>bbl/d</i> )	10,617	10,725	(1)%
Condensate ( <i>bbl/d</i> )	33,426	24,144	38%
NGL ( <i>bbl/d</i> )	69,526	57,102	22%
Oil equivalent ( <i>boe/d</i> )	507,059	411,579	23%
Production in (sold from) storage ( <i>boe/d</i> )	(3,893)	(4,116)	(5)%
Total produced volumes ( <i>boe/d</i> )	503,166	407,463	23%
Natural gas %	78%	78%	

Production for the three months ended March 31, 2022, increased 23% up to an average of 507,059 boe/d compared to 411,579 boe/d for the same quarter of 2021.

The production increase since March 31, 2021 is a result of corporate and property acquisitions completed in 2021, which account for approximately 51% of the increase in production. The remaining increase is attributable to the Company's successful exploration and production program, including the growth in condensate and NGL production which reflects the continued development of the Gundy area and the commissioning of Gundy Phase 2 in January 2022.

Included in the average production volumes discussed above, for the first quarter of 2022, was 3,893 boe/d of natural gas, which was withdrawn from storage facilities, during the quarter. Average produced volumes for the first quarter of 2022 were 503,166 boe/d. For the first quarter of 2021, 4,116 boe/d of natural gas was withdrawn from storage facilities resulting in average produced volumes of 407,463 boe/d. At March 31, 2022, and at March 31, 2021, the Company had completely withdrawn all its natural gas storage inventory.

The Company has storage capacity at both Dawn and PG&E Citygate. The storage capacity allows for the opportunity to inject in periods of lower commodity prices (typically summer months) and subsequently withdraw in periods of higher prices (typically winter months). The Company has total storage capacity of 4.0 Bcf.

Full-year average production guidance for 2022 is expected to be 500,000 – 510,000 boe/d, unchanged from the previously-disclosed guidance in the Company's December 31, 2021 MD&A.

## REVENUE AND REALIZED GAINS (LOSSES)

	Three Months Ended March 31,		
(000s)	2022	2021	Change
<b>Natural gas</b>			
Sales from production	<b>\$ 1,144,916</b>	\$ 634,553	80%
Premium (loss) on risk management activities	<b>(22,448)</b>	36,308	(162)%
Realized (loss) on financial instruments	<b>(88,919)</b>	(5,491)	(1,519)%
	<b>1,033,549</b>	665,370	55%
<b>Oil</b>			
Sales from production	<b>107,889</b>	61,637	75%
Premium on risk management activities	<b>2,323</b>	1,927	21%
Realized (loss) on financial instruments	<b>(16,837)</b>	(6,432)	(162)%
	<b>93,375</b>	57,132	63%
<b>Condensate</b>			
Sales from production	<b>360,466</b>	157,144	129%
(Loss) on risk management activities	<b>(2,839)</b>	(1,174)	(142)%
Realized (loss) on financial instruments	<b>(51,305)</b>	(14,522)	(253)%
	<b>306,322</b>	141,448	117%
<b>NGL</b>			
Sales from production	<b>281,900</b>	142,701	98%
Realized (loss) on financial instruments	<b>(1,462)</b>	(1,387)	(5)%
	<b>280,438</b>	141,314	98%
<b>Total</b>			
Sales from production	<b>1,895,171</b>	996,035	90%
Premium (loss) on risk management activities	<b>(22,964)</b>	37,061	(162)%
Realized (loss) on financial instruments	<b>(158,523)</b>	(27,832)	(470)%
Total revenue from commodity sales, premium (loss) on risk management activities, and realized (loss) on financial instruments	<b>\$ 1,713,684</b>	\$ 1,005,264	70%

Total sales from production for the three months ended March 31, 2022 increased 90% to \$1.9 billion from \$1.0 billion for the same quarter of 2021. The increase for the period can be attributed to a significant increase in commodity prices and increased sales volumes.

Included in the premium (loss) on risk management activities are the premiums/losses that Tourmaline receives from selling gas to markets outside Alberta and British Columbia and the premium (loss) received on physical commodity contract prices compared to benchmark pricing. Tourmaline has significantly diversified the markets where its natural gas is sold including Sumas, PG&E Malin, PG&E City Gate, Chicago, Ventura and Dawn, all of which have historically had higher natural gas prices as compared to AECO.

The three months ended March 31, 2022, included a loss on risk management activities of \$23.0 million compared to a gain of \$37.1 million for the same period of the prior year. For the three months ended March 31, 2022, AECO prices, on average, were higher than the prices received (after transportation) at the other hubs where Tourmaline sells its natural gas, resulting in a loss on risk management activities, as well as a loss on the Company's physical contracts in the quarter. The gain on risk management activities for the three months ended March 31, 2021, reflects a premium on the price received at Chicago, Ventura, PG&E Malin, PG&E City Gate and Dawn compared to the price at AECO which created gains at those hubs.

Total revenue, for the three months ended March 31, 2022, was also impacted by a realized loss on financial instruments of \$158.5 million (three months ended March 31, 2021 - \$27.8 million) reflecting lower prices received on financial commodity contracts when compared to higher benchmark prices.

Total revenue from commodity sales and the premium (loss) on risk management activities and realized (loss) on financial instruments excludes the effect of unrealized gains (losses) on commodity contracts until these gains or losses are realized.

#### BENCHMARK OIL AND GAS PRICES:

		Three Months Ended March 31,	
	2022	2021	Change
Natural gas			
NYMEX Last Day (USD\$/mcf)	\$ 4.95	\$ 2.69	84%
AECO 5A (CAD\$/mcf)	\$ 4.76	\$ 3.17	50%
West Coast Station 2 (CAD\$/mcf)	\$ 4.73	\$ 3.07	54%
Sumas (USD\$/mmbtu)	\$ 4.44	\$ 3.51	26%
ATP 5A Day Ahead (CAD\$/mcf)	\$ 4.85	\$ 4.56	6%
Chicago City Gate (USD\$/mmbtu)	\$ 4.42	\$ 9.25	(52)%
Ventura (USD\$/mmbtu)	\$ 4.47	\$ 12.53	(64)%
PG&E Malin (USD\$/mmbtu)	\$ 4.60	\$ 3.18	45%
PG&E City Gate (USD\$/mmbtu)	\$ 5.26	\$ 3.90	35%
Dawn (USD\$/mmbtu)	\$ 4.42	\$ 2.96	49%
Oil and condensate			
NYMEX (USD\$/bbl)	\$ 95.01	\$ 58.14	63%
Edmonton Par (CAD\$/bbl)	\$ 118.77	\$ 68.98	72%
Edmonton Condensate (CAD\$/bbl)	\$ 123.18	\$ 74.98	64%

#### CURRENCY – EXCHANGE RATES:

		Three Months Ended March 31,	
	2022	2021	Change
CAD\$/USD\$ <sup>(1)</sup>	\$ 0.7896	\$ 0.7899	-%

(1) Average rates for the period.

**TOURMALINE REALIZED PRICES:**

	Three Months Ended March 31,		
	2022	2021	Change
Natural gas (\$/mcf)	\$ 4.86	\$ 3.86	26%
Oil (\$/bbl)	\$ 97.72	\$ 59.19	65%
Condensate (\$/bbl)	\$ 101.82	\$ 65.09	56%
NGL (\$/bbl)	\$ 44.82	\$ 27.50	63%
Oil equivalent (\$/boe)	\$ 37.55	\$ 27.14	38%

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

The realized average natural gas price for the three months ended March 31, 2022 increased by 26% to \$4.86/mcf from \$3.86/mcf in the same period of the prior year. The increase is the result of significantly higher natural gas benchmark prices across all the major hubs where the Company sells its natural gas, compared to the same period of the prior year, except at Chicago and Ventura, prior to any deductions for transportation.

Realized oil prices increased by 65% for the three months ended March 31, 2022 compared to the same period of the prior year. The increase reflects the increase in benchmark oil prices for the three months ended March 31, 2022, compared to the same period in 2021, partially offset by the realized loss on financial instruments.

For the three months ended March 31, 2022, the realized price of condensate was \$101.82/bbl, which is 56% higher than the same period of the prior year. The increase reflects the higher benchmark prices received during the first quarter of 2022 which was partially offset by the realized loss on financial instruments.

The realized NGL price for the three months ended March 31, 2022 increased by 63% compared to the same period of the prior year. The increase reflects significantly higher benchmark prices for ethane, propane, butane and pentane prices, which correlates with the increase in natural gas, oil and condensate benchmark prices in the period.

## ROYALTIES

(000s)	Three Months Ended		
	2022	2021	March 31, Change
Natural gas			
Crown royalties	\$ 144,270	\$ 55,138	162%
GORR royalties	33,223	1,857	1,689%
Royalty credits	(73,208)	(35,048)	(109)%
	104,285	21,947	375%
Oil, condensate and NGL			
Crown royalties	123,960	45,764	171%
GORR royalties	14,670	1,720	753%
Royalty credits	(39,181)	(15,655)	(150)%
	99,449	31,829	212%
Total royalties	\$ 203,734	\$ 53,776	279%
Royalties as a percentage of commodity sales from production	10.8%	5.4%	

For the quarter ended March 31, 2022, the average effective royalty rate was 10.8% compared to 5.4% for the same period of the prior year. The significantly higher benchmark commodity prices in 2022 resulted in higher natural gas, oil, condensate and NGL royalties compared to the prior year. Additionally, royalties in 2022, reflect gross overriding royalties paid by the Company to Topaz which was deconsolidated on June 8, 2021. These royalties were previously eliminated as Topaz was a subsidiary of Tourmaline and its operating results were reported on a consolidated basis.

Natural gas royalties of \$104.3 million, for the three months ended March 31, 2022, included crown royalties of \$144.3 million offset by credits of \$73.2 million. For the three months ended March 31, 2021, natural gas royalties of \$21.9 million included crown royalties of \$55.1 million offset by credits of \$35.0 million. Included in the credits received for the three months ended March 31, 2022 and 2021 was Gas Cost Allowance (“GCA”) which is provided from the Crown to account for expenses incurred to process and transport the Crown’s portion of natural gas production. Also offsetting natural gas crown royalties are credits for the New Well Royalty Reduction Program and the Natural Gas Deep Drilling Program in Alberta, as well as the Deep Well Royalty Credit Program in British Columbia.

The Company expects its royalty rate for 2022 to be approximately 12%. The increase over the 2021 effective royalty rate is expected due to higher forecast commodity prices derived from the 2022 commodity strip prices and a full year of gross overriding royalty payments to Topaz. The royalty rate is sensitive to commodity prices, and as such, an increase in commodity prices will increase the actual rate.

## COMMODITY MARKETING

(000s)	Three Months Ended March 31,		
	2022	2021	Change
Marketing revenue	\$ 11,851	\$ 17,383	(32)%
Marketing purchases	\$ 10,254	\$ 17,125	(40)%

The Company operates a marketing terminal in the Gordondale area of Alberta. The throughput from the marketing terminal is comprised of Tourmaline produced oil, condensate and NGL volumes as well as oil, condensate and NGL volumes purchased from third parties.

Marketing revenue and marketing purchases represent the volume sold and purchased from third parties which is recorded gross for financial statement presentation purposes. Any gains or losses on the sale of third-party product related to the price differential are recorded in marketing revenue.

For the three months ended March 31, 2022, marketing revenue decreased by 32% and marketing purchases decreased by 40% compared to the same period of 2021. The decreases in both marketing revenue and marketing purchases can be attributed to less third-party volume being purchased and sold in the first quarter of 2022 compared to the same period of the prior year.

## OTHER INCOME

(000s)	Three Months Ended March 31,		
	2022	2021	Change
Other income	\$ 12,355	\$ 13,977	(12)%

Other income for the three months ended March 31, 2022 was \$12.4 million compared to \$14.0 million for the same period of the prior year. The decrease in other income is related to lower processing and gathering fees received from third parties after Topaz was deconsolidated as that income is now assigned directly to Topaz. Partially offsetting this decrease is an increase in power generation income in the first quarter of 2022.

## OPERATING EXPENSES

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2022	2021	Change
Operating expenses	\$ 191,918	\$ 134,840	42%
Per boe	\$ 4.21	\$ 3.64	16%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the first quarter of 2022, total operating expenses were \$191.9 million compared to \$134.8 million in 2021, an increase of 42% over a production base increase of 23%.

On a per-boe basis, the costs increased from \$3.64/boe for the first quarter of 2021 to \$4.21/boe in the first quarter of 2022. The increase in per-boe costs can be attributed to processing and gathering fees paid to Topaz post June 8, 2021, which were previously eliminated. The higher per boe costs also reflect incremental gathering and processing fees paid to third parties on additional Company production which exceeded processing capacity at Company-owned facilities. Additionally, the production acquired through the Black Swan corporate acquisition carried higher operating expenses per-boe which the Company continues to bring down as the assets are integrated and operational efficiencies are realized.

The Company's operating costs for 2022 are now expected to average approximately \$4.05/boe which is an increase from the \$3.90/boe previously disclosed. The increase from prior guidance reflects higher inflation as well as higher costs which are impacted by commodity prices including fuel costs, methanol, and power. The increase over 2021 per-boe costs takes into consideration the higher operating costs associated with the volumes acquired in the corporate acquisitions as well as higher anticipated property taxes and carbon taxes. The higher forecasted costs compared to the prior year also reflect the incremental processing fees, which will be paid to Topaz for the full year of 2022. The Company continues to increase its liquids portfolio which also carries higher operating costs. Actual cash costs can change, however, depending on a number of factors, including the Company's actual production levels.

## TRANSPORTATION

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2022	2021	Change
Natural gas transportation	\$ 171,407	\$ 123,794	38%
Oil and NGL transportation	51,761	37,305	39%
Total transportation	\$ 223,168	\$ 161,099	39%
Per boe	\$ 4.89	\$ 4.35	12%

For the first quarter of 2022, total transportation expenses were \$223.2 million compared to \$161.1 million in the first quarter of 2021. Transportation expenses in 2022 reflect increased costs related to higher production volumes compared to the prior year.

On a per-boe basis, transportation costs increased from \$4.35/boe in the first quarter of 2021 to \$4.89/boe in the first quarter of 2022. The increase in per-unit costs reflects an increase in natural gas pipeline tariffs in 2022, higher fuel gas expense due to the higher natural gas benchmark prices and higher oil and NGL trucking costs.

## GENERAL & ADMINISTRATIVE EXPENSES (“G&A”)

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2022	2021	Change
G&A expenses	\$ 42,253	\$ 33,506	26%
Administrative and capital recovery	(2,166)	(1,159)	(87)%
Capitalized G&A	(13,306)	(8,959)	(49)%
Total G&A expenses	\$ 26,781	\$ 23,388	15%
Per boe	\$ 0.59	\$ 0.63	(6)%

Total G&A expenses in the first quarter of 2022 were \$26.8 million compared to \$23.4 million for the same quarter of 2021. The increase is primarily due to staff additions, additional office space, and other costs related to corporate and property acquisitions as well as higher third-party service provider fees, insurance and increased costs related to industry marketing initiatives.

On a per-boe basis, G&A costs decreased from \$0.63/boe to \$0.59/boe reflecting the significant increase in production over the periods partially offset by higher total G&A expenses.

G&A expenses for 2022 are expected to average approximately \$0.60/boe. Actual costs per boe can change, however, depending on a number of factors including the Company’s actual production levels.

## SHARE-BASED PAYMENTS

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,	
	2022	2021
Share-based payments	\$ 9,435	\$ 4,462
Capitalized share-based payments	(4,133)	(1,766)
Total share-based payments	\$ 5,302	\$ 2,696
Per boe	\$ 0.12	\$ 0.07

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the first quarter of 2022, 297,500 stock options were granted at a weighted-average exercise price of \$47.13 per option and 3,296,440 options were exercised, bringing \$82.9 million of cash into treasury.

The Company recognized \$5.3 million of share-based payments expense for the first quarter of 2022 compared to \$2.7 million for the first quarter of 2021. Capitalized share-based payments for the first quarter of 2022 were \$4.1 million compared to \$1.8 million for the same period of the prior year.

Share-based payments are higher in 2022 compared to the same period of 2021, which reflects options with a higher fair value being expensed in 2022 compared to 2021.

## DEPLETION, DEPRECIATION AND AMORTIZATION (“DD&A”)

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,	
	2022	2021
Total depletion, depreciation and amortization	\$ 293,681	\$ 264,533
Less mineral lease expiries	(19,211)	(4,205)
Depletion, depreciation and amortization	\$ 274,470	\$ 260,328
Per boe	\$ 6.01	\$ 7.03

DD&A expense, excluding mineral lease expiries, was \$274.5 million for the first quarter of 2022 compared to \$260.3 million for the same period of 2021. DD&A expense includes depletion of oil and gas interests (excluding plant and facilities) of \$256.0 million (three months ended March 31, 2021 - \$243.3 million). The increase in DD&A expense in 2022 over 2021 is primarily due to higher production volumes as well as a higher depletable base.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) of \$6.01/boe for the first quarter of 2022 decreased compared to the rate of \$7.03/boe for the same period of the prior year. The decrease in the per boe rate continues to reflect the benefit of acquisitions completed over the past two years which added proportionately higher reserve volumes compared to the fair value of the PP&E acquired. Additionally, there was a significant increase in the proportion of production in the NEBC CGU which has a lower depletion rate than the Company’s other CGUs.

Mineral lease expiries for the three months ended March 31, 2022 were \$19.2 million, compared to expiries in the same quarter of the prior year of \$4.2 million. The expired leases for the three months ended March 31, 2022 amount to less than 2% of Tourmaline’s total land base.

The Company prioritizes drilling on what it believes to be the most cost-efficient and productive acreage, and, with such a large land base, the Company has chosen not to continue some of the expiring sections of land. The Company explores all alternatives (including swaps, farm-outs, joint ventures and dispositions) to realize the value from these sections before they expire.

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 March 31, 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.

## FINANCE EXPENSES

<i>(000s)</i>	Three Months Ended March 31,		
	2022	2021	Change
Interest expense	\$ 6,805	\$ 8,779	(22)%
Accretion expense	3,689	2,805	32%
Lease interest expense	78	90	(13)%
Foreign exchange (gain) on U.S. denominated debt	(7,210)	(18,330)	(61)%
Realized loss on cross-currency swaps	7,210	18,330	(61)%
Realized loss on interest rate swaps	–	2,650	(100)%
Transaction costs on corporate and property acquisitions	10	–	100%
<b>Total finance expenses</b>	<b>\$ 10,582</b>	<b>\$ 14,324</b>	<b>(26)%</b>

Finance expenses for the three months ended March 31, 2022, totaled \$10.6 million compared to \$14.3 million for the same period of 2021. During the first quarter of 2022, the combined average bank debt and senior unsecured notes outstanding was \$1.0 billion compared to \$1.8 billion for the same period of 2021. The average effective interest rate on the combined bank debt and senior unsecured notes for the three months ended March 31, 2022 was 1.91% compared to 1.65% for the three months ended March 31, 2021.

Interest expense decreased for the first quarter of 2022 due to the decrease in average bank debt outstanding compared to the same period of 2021 which was partially offset by the increase in the effective interest rate. The increase in the effective interest rate reflects the \$200.0 million senior unsecured notes issued on August 9, 2021 which have an interest rate of 2.529%, which is higher than the interest rate paid on the revolving credit facility.

U.S. dollar LIBOR benchmarks were phased out beginning December 31, 2021 and replaced with the Secured Overnight Financing Rate ("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.

For the three-month period ended March 31, 2022, the Company drew from the credit facility in U.S. dollars, as permitted under the credit facility which, when repaid, created a foreign exchange gain due to the strengthening of the Canadian dollar. Concurrent with the draw of U.S. dollar denominated borrowings, the Company enters into cross-currency swaps to manage the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between CDOR and SOFR without taking on foreign exchange risk.

## DEFERRED INCOME TAXES

(000s)	Three Months Ended March 31,		
	2022	2021	Change
Deferred income taxes	\$ 84,750	\$ 79,675	6%

For the three months ended March 31, 2022, the provision for deferred income taxes was \$84.8 million compared to \$79.7 million for the same period of the prior year. The increase in deferred income tax expense is primarily due to income before taxes in the first quarter of 2022 of \$346.0 million compared to the first quarter of 2021 which had income before taxes of \$330.1 million.

## CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

(000s) except per unit amounts	Three Months Ended March 31,		
	2022	2021	Change
Cash flow from operating activities	\$ 1,113,649	\$ 750,129	48%
Per share <sup>(1)</sup>	\$ 3.29	\$ 2.51	31%
Cash flow <sup>(2)</sup>	\$ 1,075,976	\$ 629,325	71%
Per share <sup>(1)(2)</sup>	\$ 3.18	\$ 2.11	51%
Net earnings	\$ 261,284	\$ 247,837	5%
Per share <sup>(1)</sup>	\$ 0.77	\$ 0.83	(7)%
Operating netback per boe <sup>(2)</sup>	\$ 23.99	\$ 17.70	36%

(1) Per share amounts have been calculated using the weighted average number of diluted common shares.

(2) See "Non-GAAP and Other Financial Measures".

Cash flow for the three months ended March 31, 2022 was \$1.1 billion or \$3.18 per diluted share compared to \$0.6 billion or \$2.11 per diluted share for the same period of 2021. The increase in cash flow in the first quarter of 2022, compared to the same quarter of 2021, is due to the significant increase in the benchmark prices of commodities as well as increased production volume.

The Company had after-tax net earnings for the three months ended March 31, 2022 of \$261.3 million or \$0.77 per diluted share compared to after-tax net earnings of \$247.8 million or \$0.83 per share for the same period of 2021. The increase in after-tax net earnings reflects a 36% increase in the Company's operating netback per boe combined with the increase in production volume in the first quarter of 2022 which was partially offset by an increase in the unrealized loss on financial instruments of \$404.8 million.

## CAPITAL EXPENDITURES

(000s)	Three Months Ended March 31,	
	2022	2021
Land and seismic	\$ 14,311	\$ 8,398
Drilling and completions	346,324	281,732
Facilities	81,673	95,552
Property acquisitions	24,921	26,294
Property dispositions	(3,297)	(596)
Other	15,441	10,726
Total capital expenditures	\$ 479,373	\$ 422,106

During the first quarter of 2022, the Company invested \$479.4 million of cash consideration compared to \$422.1 million for the same period of 2021. Expenditures on exploration and production were \$442.3 million for the first quarter of 2022 compared to \$385.7 million for the same quarter of 2021.

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

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
	Gross	Net	Gross	Net
Drilled	72	66.40	70	67.75
Completed	78	72.17	66	66.00
Tied-in	88	84.67	75	72.23

Exploration and production capital expenditures in 2022 are now forecast to be \$1.225 billion, an increase of \$100.0 million from the previously disclosed forecast of \$1.125 billion. The increase reflects an incremental \$75.0 million related to inflation as well as \$25.0 million to be allocated to the Company's successful new zone/new pool exploration program. The Company expects drilling and completions costs of approximately \$1.0 billion, facilities expenditures (including equipment, pipelines and tie-ins) of \$210.0 million as well as land and seismic expenditures of \$15.0 million. The capital budget is closely monitored and will continue to be adjusted as required, depending on cash flow available.

### Property Acquisitions and Dispositions

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

In total, for the three months ended March 31, 2022, the Company completed property acquisitions for cash consideration of \$24.9 million, including the acquisition discussed above (December 31, 2021 - \$545.9 million) and nil in acquisitions involving non-cash consideration (December 31, 2021 - \$89.4 million). The Company assumed \$17.2 million in decommissioning liabilities as a result of these acquisitions (December 31, 2021 - \$27.3 million).

The Company also completed property dispositions, for the three months ended March 31, 2022, for total cash consideration of \$3.3 million (December 31, 2021 - \$392.6 million) and non-cash consideration of nil (December 31, 2021 – \$21.5 million). The Company removed nil in decommissioning liabilities as a result of these dispositions (December 31, 2021 - \$0.9 million).

## LIQUIDITY AND CAPITAL RESOURCES

### Bank debt

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks. The revolving credit facility is in the amount of \$2.55 billion with a maturity date of June 2026. 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/SOFR (for U.S. borrowings), plus applicable margins.

The Company also has a covenant-based, unsecured, operating credit facility with a Canadian bank in the amount of \$50.0 million. The operating credit facility has a maturity date of June 2023, which may, at the request of the Company and with consent of the lender, be extended on an annual basis. The covenants are the same as the revolving credit facility. At March 31, 2022, and December 31, 2021, the operating credit facility was undrawn.

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 \$25.0 million at March 31, 2022 (December 31, 2021 - \$22.5 million), which reduces the credit available on this facility.

### Senior unsecured notes

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

The Company’s aggregate borrowing capacity is \$3.1 billion at March 31, 2022 including the bank debt and senior unsecured notes.

### **Adjusted working capital and net debt <sup>(1)</sup>**

As at March 31, 2022, the Company had an adjusted working capital deficit of \$154.6 million, after adjusting for the fair value of financial instruments, short term lease liabilities, short term decommissioning obligations and unrealized foreign exchange in working capital (the working capital deficit was \$764.3 million) (December 31, 2021 – adjusted working capital deficit of \$103.4 million and working capital deficit of \$361.0 million, respectively). As at March 31, 2022, the Company had \$166.4 million drawn against the revolving credit facility and \$448.1 million of senior unsecured notes outstanding for total bank debt and senior unsecured notes of \$614.5 million (net of debt issue costs) (December 31, 2021 - \$869.6 million). Net debt at March 31, 2022 was \$769.1 million, excluding the fair value of short-term financial instruments, short term lease liabilities, short term decommissioning obligations and unrealized foreign exchange in working capital deficit (December 31, 2021 - \$973.0 million).

(1) See “Non-GAAP and Other Financial Measures”.

### **Normal course issuer bid**

On July 9, 2021, the Company renewed its normal course issuer bid (“NCIB”) with the Toronto Stock Exchange (“TSX”). The NCIB allows the Company to purchase up to 14,943,420 common shares, representing 5% of its common shares outstanding at July 9, 2021, over a period of twelve months commencing on July 20, 2021. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the three months ended March 31, 2022, the Company did not purchase any common shares for cancellation.

### **Dividends**

During the three months ended March 31, 2022, the Company paid its quarterly cash dividend of \$0.20 per common share totalling \$66.6 million, compared to \$0.16 per common share totalling \$47.5 million for the same period of the prior year.

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

### **Capital management**

For the remainder of 2022, management will continue to use internally generated cash flow to fund its 2022 exploration and development program and is dedicated to keeping a strong statement of financial position, which has proven to be very important, especially in times of volatile commodity prices. The significant increase in cash flow in 2021 and 2022 has consistently been directed towards modest, sustainable dividend increases, special dividends and continued debt reduction. On a go-forward basis, the Company intends to return the vast majority of cash flow less capital expenditures back to shareholders which will be achieved through continued modest and sustainable base dividend increases, special dividends when appropriate, and tactical share buybacks. Management’s approach to capital management is further described in note 4(d) of the Company’s annual consolidated financial statements.

## SHARES AND STOCK OPTIONS OUTSTANDING

As at May 4, 2022, the Company has 334,864,250 common shares and 12,712,591 stock options outstanding.

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

### PAYMENTS DUE BY YEAR

(000s)	1 Year	2-3 Years	4-5 Years	>5 Years	Total
Operating commitments <sup>(1)</sup>	\$ 2,882	\$ 5,400	\$ 4,590	\$ –	\$ 12,872
Firm transportation agreements	801,526	1,586,106	1,297,087	4,571,312	8,256,031
Processing commitments <sup>(2)</sup>	150,418	245,837	233,076	523,585	1,152,916
Capital commitments <sup>(3)</sup>	74,250	114,300	–	–	188,550
Revolving credit facility <sup>(4)</sup>	–	–	182,501	–	182,501
Senior unsecured notes <sup>(5)</sup>	10,378	20,757	20,757	463,936	515,828
	\$1,039,454	\$ 1,972,400	\$ 1,738,011	\$5,558,833	\$10,308,698

(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 2.15% being the rate applicable to outstanding debt on the revolving credit facility at March 31, 2022.

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

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results of operations, liquidity or capital expenditures.

## FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are discussed in note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2021.

As at March 31, 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 contracts to be effective economic hedges. Such financial derivative contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of income and comprehensive income. The contracts that the Company has in place at March 31, 2022 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and 2021.

The Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. Physical contracts in place at March 31, 2022 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and 2021.

## **APPLICATION OF CRITICAL ACCOUNTING ESTIMATES**

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Company's use of estimates and judgments in preparing the interim condensed consolidated financial statements are discussed in note 1 of the consolidated financial statements for the year ended December 31, 2021.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), as defined by National Instrument 52-109, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the Company's DC&P or ICFR during the period beginning on January 1, 2022 and ending on March 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

The Company uses the guidelines as set in the Committee of Sponsoring Organizations of the Treadway Commission 2013 Internal Control-Integrated Framework.

## BUSINESS RISKS AND UNCERTAINTIES

Tourmaline monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Tourmaline maintains a level of liability, property and business interruption insurance which is believed to be adequate for Tourmaline's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

On October 7, 2021, the Government of British Columbia launched a comprehensive review of its oil and gas royalty system. Based on the outcomes of this review and input received from the public, a policy announcement is expected in the spring of 2022. Results of the public engagement portion of the review released in February 2022 indicated that the majority of British Columbians are in favour of a "revamped royalty system that puts the interest of British Columbians first and eliminates outdated, inefficient fossil fuel subsidies". Until the changes to the regime are implemented, the current system, established under the *1992 Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation*, will continue to apply.

On June 29, 2021, the British Columbia Supreme Court issued a judgement in *Yahey v British Columbia* (the "**Blueberry Decision**"), in which it determined that the cumulative impacts of industrial development on the traditional territory of the Blueberry River First Nation ("**BRFN**") in northeast British Columbia had breached the BRFN's rights guaranteed under Treaty 8. Going forward, the Blueberry Decision may have significant impacts on the regulation of industrial activities in northeast British Columbia. Further, it may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties.

On October 7, 2021, the Government of British Columbia and the BRFN reached an initial agreement in response to the Blueberry Decision in which the parties agreed to negotiate a land management process for BRFN territory, and certain previously authorized forestry and oil and gas projects were put on hold pending further negotiation. Currently, the Government of British Columbia and the BRFN are in the midst of negotiations to finalize a new regime for assessment, authorization and management of industrial activities on BRFN territory in a manner consistent with the Blueberry Decision. The BRFN elected Judy Desjarlais as Chief in January 2022, replacing Marvin Yahey Sr. in the role. The long-term impacts and risks of the Blueberry Decision and the election of a new BRFN Chief on the Canadian oil and gas industry remain uncertain.

In addition, pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide, including COVID-19, or any other similar illnesses could have an adverse impact on the Company's results, business, financial condition or liquidity. On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The COVID-19 pandemic has negatively impacted the Canadian, U.S., and global economies; disrupted Canadian, U.S., and global supply chains; disrupted financial markets; contributed to a decrease in interest rates; resulted in ratings downgrades, credit deterioration and defaults in many industries; forced the closure of many businesses, led to loss of revenues, increased unemployment and bankruptcies; and necessitated the imposition of quarantines, physical distancing, business closures, travel restrictions, and sheltering-in-place requirements in Canada, the U.S., and other

countries. If the pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on the Company's results, business, financial condition or liquidity, for a substantial period of time.

Additionally, in 2022, Russia's invasion of Ukraine has raised global concerns over oil and natural gas supply and significantly increased benchmark commodity prices also resulting in inflationary pressures on governments, businesses, and communities. This invasion and the subsequent war in the region has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. As a major exporter of oil and natural gas, any disruption in the supply of oil and natural gas from Russia may cause a supply shortage globally and significantly impact commodity prices.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices.

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the COVID-19 pandemic and Russia's invasion of Ukraine, 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.

In addition, in 2022, industry has been impacted by cost inflation, labour shortages and supply constraints, and the Company expects these pressures will continue through the balance of the year. The Company will continue to actively monitor inflationary pressures and supply chain constraints and their impact on the Company's business.

See "Forward-Looking Statements" in this MD&A and "Risk Factors" in Tourmaline's most recent annual information form for additional information regarding the risks to which Tourmaline and its business and operations are subject.

## **IMPACT OF ENVIRONMENTAL REGULATIONS**

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells, there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law which may make the operation of the Company's business more expensive or prevent the Company from operating its business as currently conducted. Tourmaline focuses on conducting transparent, safe and responsible operations.

## NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A contains the terms cash flow, capital expenditures, and operating netback which are considered "non-GAAP financial measures" and operating netback per boe which is considered a "non-GAAP financial ratio". These terms do not have a standardized meaning prescribed by GAAP. In addition, this MD&A contains the terms adjusted working capital and net debt, which are considered "capital management measures". Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company's performance.

### Non-GAAP Financial Measures

#### Cash Flow

Management uses the term "cash flow" for its own performance measure and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures, to repay debt or to pay dividends. The most directly comparable GAAP measure for cash flow is cash flow from operating activities. A summary of the reconciliation of cash flow from operating activities to cash flow, is set forth below:

(000s)	Three Months Ended March 31,	
	2022	2021
Cash flow from operating activities (per GAAP)	\$ 1,113,649	\$ 750,129
Change in non-cash working capital	(37,673)	(120,804)
Cash flow	\$ 1,075,976	\$ 629,325

## Capital Expenditures

Management uses the term “capital expenditures” as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company’s annual budgeted capital expenditures. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures, is set forth below:

(000s)	Three Months Ended March 31,	
	2022	2021
Cash flow used in investing activities (per GAAP)	\$ 459,447	\$ 370,371
Change in non-cash working capital (deficit)	19,926	51,735
Capital expenditures	\$ 479,373	\$ 422,106

## Operating Netback

Management uses the term “operating netback” as a key performance indicator and one that is commonly presented by other oil and natural gas producers. Operating netback is defined as the sum of commodity sales from production, premium (loss) on risk management activities and realized gains (loss) on financial instruments less the sum of royalties, transportation costs and operating expenses. A summary of the reconciliation of operating netback from commodity sales from production, which is a GAAP measure, is set forth below:

(000s)	Three Months Ended March 31,	
	2022	2021
Commodity sales from production	\$ 1,895,171	\$ 996,035
Premium (loss) on risk management activities	(22,964)	37,061
Realized (loss) on financial instruments	(158,523)	(27,832)
Royalties	(203,734)	(53,776)
Transportation costs	(223,168)	(161,099)
Operating expenses	(191,918)	(134,840)
Operating netback	\$ 1,094,864	\$ 655,549

## Non-GAAP Financial Ratio

### Operating Netback per-boe

Management calculates “operating netback per-boe” as operating netback divided by total production for the period. Netback per-boe is a key performance indicator and measure of operational efficiency and one that is commonly presented by other oil and natural gas producers. A summary of the calculation of operating netback per boe, is set forth below:

(\$/boe)	Three Months Ended March 31,	
	2022	2021
Revenue, excluding processing income	\$ 37.55	\$ 27.14
Royalties	(4.46)	(1.45)
Transportation costs	(4.89)	(4.35)
Operating expenses	(4.21)	(3.64)
Operating netback	\$ 23.99	\$ 17.70

## Capital Management Measures

### Adjusted Working Capital

Management uses the term “adjusted working capital” for its own performance measures and to provide shareholders and potential investors with a measurement of the Company’s liquidity. A summary of the composition of adjusted working capital (deficit), is set forth below:

(000s)	As at March 31, 2022	As at December 31, 2021
	Working capital (deficit)	\$ (764,301)
Fair value of financial instruments – short-term liability	582,683	240,970
Lease liabilities – short-term	2,948	2,997
Decommissioning obligations – short-term	25,000	20,103
Unrealized foreign exchange in working capital - liability	(893)	(6,441)
Adjusted working capital (deficit)	\$ (154,563)	\$ (103,405)

### Net Debt

Management uses the term “net debt”, as a key measure for evaluating its capital structure and to provide shareholders and potential investors with a measurement of the Company’s total indebtedness. A summary of the composition of net debt, is set forth below:

(000s)	As at March 31, 2022	As at December 31, 2021
	Bank debt	\$ (166,415)
Senior unsecured notes	(448,111)	(448,035)
Adjusted working capital (deficit)	(154,563)	(103,405)
Net debt	\$ (769,089)	\$ (972,979)

## SELECTED QUARTERLY INFORMATION

(\$000s, unless otherwise noted)	2022			2021			2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
<b>PRODUCTION</b>									
Natural gas (mcf)	212,484,691	208,774,653	197,475,909	174,322,330	172,588,310	146,464,921	130,086,424	129,693,070	
Oil, condensate and NGL (bbls)	10,221,181	9,831,392	9,084,310	8,287,097	8,277,417	6,531,062	5,753,450	5,627,083	
Oil equivalent (boe)	45,635,296	44,627,168	41,996,962	37,340,819	37,042,135	30,941,882	27,434,520	27,242,595	
Natural gas (mcf/d)	2,360,941	2,269,290	2,146,477	1,915,630	1,917,648	1,592,010	1,413,983	1,425,199	
Oil, condensate and NGL (bbls/d)	113,569	106,863	98,743	91,067	91,971	70,990	62,538	61,836	
Oil equivalent (boe/d)	507,059	485,078	456,489	410,339	411,579	336,325	298,202	299,369	
<b>FINANCIAL</b>									
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	1,713,684	1,529,345	1,213,376	921,278	1,005,264	688,374	518,061	443,553	
Cash flow from operating activities	1,113,649	1,058,460	543,855	494,673	750,129	326,526	290,795	165,857	
Per diluted share	3.29	3.14	1.66	1.64	2.51	1.18	1.07	0.61	
Cash flow <sup>(1)</sup>	1,075,976	968,236	761,333	570,232	629,325	396,869	279,923	225,177	
Per diluted share	3.18	2.88	2.32	1.89	2.11	1.44	1.03	0.83	
Net earnings (loss)	261,284	996,248	361,057	420,849	247,837	629,191	4,826	20,106	
Per basic share	0.79	3.01	1.12	1.41	0.84	2.28	0.02	0.07	
Per diluted share	0.77	2.96	1.10	1.40	0.83	2.28	0.02	0.07	
Total assets	15,492,762	15,292,093	14,923,735	13,153,137	12,728,515	12,790,200	11,246,517	11,239,383	
Working capital (deficit)	(764,301)	(361,034)	(591,736)	(301,459)	(249,592)	111,744	(170,489)	112,170	
Adjusted working capital (deficit) <sup>(1)</sup>	(154,563)	(103,405)	(70,391)	(86,363)	(165,236)	157,339	(153,625)	82,382	
Capital expenditures <sup>(1)</sup>	479,373	447,461	56,108	664,696	422,106	271,284	354,695	140,032	
Dividends paid	481,080	306,765	55,739	47,656	58,395	48,991	39,306	36,663	
Total outstanding shares (000s)	334,157	330,860	329,598	298,452	296,914	296,572	270,803	270,776	
<b>PER UNIT</b>									
Natural gas (\$/mcf)	4.86	4.66	3.88	3.25	3.86	3.19	2.60	2.41	
Oil and NGL (\$/bbl)	66.54	56.67	49.21	42.84	41.06	33.85	31.31	23.24	
Revenue (\$/boe)	37.55	34.27	28.89	24.67	27.14	22.25	18.89	16.28	
Operating netback (\$/boe) <sup>(1)</sup>	23.99	22.10	18.35	15.47	17.70	13.65	10.76	8.20	

(1) See Non-GAAP and Other Financial Measures.

The oil and gas exploration and production industry is cyclical. The Company's financial position, results of operations and cash flows are principally impacted by production levels and commodity prices, particularly natural gas prices.

On an annual basis, the Company has had continued production growth over the last two years. The Company's average annual production has increased from 310,598 boe per day in 2020 to 411,115 per day in 2021 and 507,059 boe per day in the first three months of 2022. The production growth can be attributed primarily to the Company's exploration and development activities, and from acquisitions of producing properties.

The Company's cash flow was \$1.2 billion in 2020, \$2.9 billion in 2021 and forecast 2022 cash flow is \$5.2 billion. The COVID-19 pandemic resulted in a large decrease in oil demand, which combined with other macro-economic conditions resulted in significantly lower oil and liquids prices as well as increased volatility in natural gas prices which resulted in lower cash flow in 2020. The increase in 2021 cash flow reflects the significant improvement in commodity prices as well as the significant increase in production for the year. Continued increases in commodity prices and production volumes are expected to result higher forecast cash flow in 2022.

Commodity price fluctuations can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenue and cash flow available for exploration, and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flow generated from operations and access to capital markets.