



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

As at June 30, 2023 and for the three and six months ended June 30, 2023 and 2022

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline Oil Corp.'s ("Tourmaline" or the "Company") unaudited interim condensed consolidated financial statements and related notes as at and for the three and six months ended June 30, 2023 and 2022 and the consolidated financial statements for the year ended December 31, 2022. The consolidated financial statements and the MD&A can be found at [www.sedarplus.ca](http://www.sedarplus.ca) or [www.tourmalineoil.com](http://www.tourmalineoil.com). This MD&A is dated August 2, 2023.

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, a non-GAAP financial ratio and capital management measures. See "Non-GAAP and Other Financial Measures" for information regarding the following non-GAAP financial measures, non-GAAP financial ratio 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, environmental, political, geo-political, social and regulatory 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, geo-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; severe weather (including wildfires); inflation; supply chain risks; risks of war (including the war in Ukraine), 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.sedarplus.ca](http://www.sedarplus.ca) 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

Since Russia's invasion of Ukraine in early 2022 there has been emerging global concerns over oil and natural gas supply which has resulted in higher and more volatile benchmark commodity prices. Additionally, this conflict has contributed to increased inflationary pressures on governments, businesses and communities with costs rising since 2021. In response to increasing inflation, central banks around the globe began increasing interest rates in 2022 which has continued into 2023.

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 the 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.

## 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 its first two IFRS Sustainability Disclosure Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (together, the ISSB Standards). The ISSB Standards aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. Mandatory application of the ISSB Standards depends on each jurisdiction’s endorsement or regulatory processes. In the Company’s case, the Canadian Securities Administrators (“CSA”) is responsible for developing climate-related disclosure requirements for reporting issuers in Canada. The CSA has published Proposed National Instrument 51-107 – Disclosure of Climate Related Matters which is intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. The CSA will involve the Canadian Sustainability Standards Board (“CSSB”) in review of the ISSB standards for their suitability for adoption in Canada. Until such time as the CSA and CSSB make decisions on sustainability standards for Canada, there is no requirement for public companies in Canada to adopt sustainability standards. The Company is awaiting further guidance from the CSA on their final rules.

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 <https://sustainability.tourmalineoil.com>.

The Sustainability Report was developed using the Sustainability Accounting Standards Board (“SASB”) standards as a baseline for the sustainability factors significant to Tourmaline stakeholders. The Company applied SASB Oil & Gas – Exploration & Production Standard (“SASB EM-EP”) and the Global Reporting Initiative (“GRI”) 305-2 Energy Indirect (Scope 2) GHG Emissions Standards. The Company has also included recommendations from the Task Force on Climate Related Disclosures and incorporated discussion points and metrics outlined by the ISSB.

## SIGNIFICANT ACQUISITION ACTIVITY

There have been no significant acquisitions completed during the six months ended June 30, 2023. The following table summarizes the significant acquisition activity of the Company for the year ended December 31, 2022:

Acquisition	Type	Date	CGU	Purchase Price <sup>(1)</sup> (\$ MMs)	Production <sup>(2)</sup> (boe/d)
Aitken Creek	Infrastructure	April 12, 2022	BC Montney	\$ 235.3	N/A
Rising Star	Corporate	August 10, 2022	Spirit River	\$ 191.1	5,700

(1) These amounts reflect the purchase price in cash and/or common shares but does not include any assumed working capital (net debt).

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

(3) Refer to the “Capital Expenditures” section of this MD&A and Note 5 of the Company’s consolidated financial statements for further details about these transactions.

## PRODUCTION

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Natural gas ( <i>mcf/d</i> )	<b>2,306,340</b>	2,343,704	(2)%	<b>2,387,592</b>	2,352,275	2%
Oil ( <i>bbl/d</i> )	<b>11,044</b>	10,914	1%	<b>11,389</b>	10,767	6%
Condensate ( <i>bbl/d</i> )	<b>31,503</b>	32,486	(3)%	<b>32,221</b>	32,953	(2)%
NGL ( <i>bbl/d</i> )	<b>68,981</b>	68,920	–%	<b>69,292</b>	69,221	–%
Oil equivalent ( <i>boe/d</i> )	<b>495,918</b>	502,937	(1)%	<b>510,834</b>	504,987	1%
Production in (sold from) storage ( <i>boe/d</i> )	<b>6,213</b>	3,149	97%	<b>2,043</b>	(353)	(679)%
Total produced volumes ( <i>boe/d</i> )	<b>502,131</b>	506,086	(1)%	<b>512,877</b>	504,634	2%
Natural gas %	<b>78%</b>	78%		<b>78%</b>	78%	

Production for the three months ended June 30, 2023, decreased 1% for an average of 495,918 boe/d compared to 502,937 boe/d for the same quarter of 2022. For the six months ended June 30, 2023, average production increased 1% to 510,834 boe/d from 504,987 boe/d for the same period of 2022.

The production decrease for the three months ended June 30, 2023, is a result of production disruptions related to the wildfires in Alberta and BC which resulted in the Company temporarily shutting down nine gas processing facilities.

For the six months ended June 30, 2023, production was negatively impacted by a force majeure event on the Pembina Pipeline Corporation's Northern Line in Northeast BC which reduced NGL volumes in the first quarter of 2023 and the production disruptions related to the Alberta and BC wildfires in the second quarter of 2023.

In addition to the average production volumes discussed above, for the second quarter of 2023, the Company injected 6,213 boe/d of natural gas, into storage facilities. Average produced volumes for the second quarter of 2023 were 502,131 boe/d. For second quarter of 2022, 3,149 boe/d of natural gas was injected into storage facilities resulting in average produced volumes of 506,086 boe/d.

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 6.0 Bcf.

Full-year average production guidance for 2023 is now expected to be 520,000 boe/d, which is in the low range of previously-disclosed guidance of 520,000-540,000 boe/d in the Company's December 31, 2022 MD&A.

## REVENUE AND REALIZED GAINS (LOSSES)

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Natural gas</b>						
Sales from production	\$ 629,596	\$ 1,740,132	(64)%	\$ 1,496,578	\$ 2,885,048	(48)%
Premium (loss) on risk management activities	100,357	(206,116)	149%	494,443	(228,564)	316%
Realized gain (loss) on financial instruments	174,588	(187,967)	193%	287,464	(276,886)	204%
	<b>904,541</b>	<b>1,346,049</b>	<b>(33)%</b>	<b>2,278,485</b>	<b>2,379,598</b>	<b>(4)%</b>
<b>Oil</b>						
Sales from production	92,916	132,899	(30)%	191,413	240,788	(21)%
Premium on risk management activities	3,406	3,326	2%	8,144	5,649	44%
Realized (loss) on financial instruments	(780)	(24,740)	97%	(3,484)	(41,577)	92%
	<b>95,542</b>	<b>111,485</b>	<b>(14)%</b>	<b>196,073</b>	<b>204,860</b>	<b>(4)%</b>
<b>Condensate</b>						
Sales from production	274,092	403,092	(32)%	587,158	763,558	(23)%
(Loss) on risk management activities	(629)	(1,129)	44%	(1,105)	(3,968)	72%
Realized (loss) on financial instruments	(2,357)	(75,731)	97%	(10,508)	(127,036)	92%
	<b>271,106</b>	<b>326,232</b>	<b>(17)%</b>	<b>575,545</b>	<b>632,554</b>	<b>(9)%</b>
<b>NGL</b>						
Sales from production	162,162	329,658	(51)%	398,897	611,558	(35)%
(Loss) on risk management activities	(558)	–	(100)%	(558)	–	(100)%
Realized gain (loss) on financial instruments	3,808	(4,590)	183%	11,743	(6,052)	294%
	<b>165,412</b>	<b>325,068</b>	<b>(49)%</b>	<b>410,082</b>	<b>605,506</b>	<b>(32)%</b>
<b>Total</b>						
Sales from production	1,158,766	2,605,781	(56)%	2,674,046	4,500,952	(41)%
Premium (loss) on risk management activities	102,576	(203,919)	150%	500,924	(226,883)	321%
Realized gain (loss) on financial instruments	175,259	(293,028)	160%	285,215	(451,551)	163%
Total revenue from commodity sales, premium (loss) on risk management activities, and realized gain (loss) on financial instruments	<b>\$ 1,436,601</b>	<b>\$ 2,108,834</b>	<b>(32)%</b>	<b>\$ 3,460,185</b>	<b>\$ 3,822,518</b>	<b>(9)%</b>

Total sales from production for the three months ended June 30, 2023 decreased 56% to \$1.2 billion from \$2.6 billion for the same quarter of 2022. Total sales from production for the six months ended June 30, 2023, decreased 41% from \$4.5 billion in 2022 to \$2.7 billion in 2023. The decrease for both periods can be attributed to a decrease in the AECO and Station 2 natural gas benchmark prices as well as lower oil and condensate benchmark prices.

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, Dawn, and Asia (via the US Gulf Coast) all of which have historically had higher natural gas prices as compared to AECO.

The three and six months ended June 30, 2023, included a premium on risk management activities of \$102.6 million and \$500.9 million, respectively, compared to a loss of \$203.9 million and \$226.9 million, respectively, for the same periods of the prior year. For the three and six months ended June 30, 2023, AECO prices, on average, were lower than the prices received (after transportation) at the other hubs where Tourmaline sells its natural gas including Sumas, Asia (via the Gulf Coast), PG&E Malin and PG&E Citygate, resulting in a premium on risk management activities. The loss on risk management activities for the three and six months ended June 30, 2022, reflects a loss on the price received (after transportation) at Chicago, Ventura, PG&E Malin, PG&E City Gate and Dawn compared to the price at AECO which created losses at those hubs.

Total revenue, for the three and six months ended June 30, 2023, was also impacted by a realized gain on financial instruments of \$175.3 million and \$285.2 million, respectively, (three and six months ended June 30, 2022 – realized loss on financial instruments of \$293.0 million and \$451.6 million, respectively) reflecting higher prices received on financial commodity contracts when compared to lower benchmark prices.

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

**BENCHMARK OIL AND GAS PRICES:**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Natural gas</b>						
NYMEX Last Day (USD\$/mcf)	\$ 2.10	\$ 7.17	(71)%	\$ 2.76	\$ 6.06	(54)%
AECO 5A (CAD\$/mcf)	\$ 2.46	\$ 7.27	(66)%	\$ 2.85	\$ 6.02	(53)%
West Coast Station 2 (CAD\$/mcf)	\$ 1.90	\$ 6.81	(72)%	\$ 2.40	\$ 5.77	(58)%
Sumas (USD\$/mmbtu)	\$ 2.46	\$ 6.86	(64)%	\$ 5.33	\$ 5.65	(6)%
ATP 5A Day Ahead (CAD\$/mcf)	\$ 1.96	\$ 7.93	(75)%	\$ 2.48	\$ 6.39	(61)%
Chicago City Gate (USD\$/mmbtu)	\$ 1.98	\$ 7.20	(73)%	\$ 2.31	\$ 5.81	(60)%
Ventura (USD\$/mmbtu)	\$ 1.93	\$ 7.04	(73)%	\$ 2.35	\$ 5.75	(59)%
PG&E Malin (USD\$/mmbtu)	\$ 2.66	\$ 7.06	(62)%	\$ 5.98	\$ 5.83	3%
PG&E City Gate (USD\$/mmbtu)	\$ 4.17	\$ 8.45	(51)%	\$ 7.41	\$ 6.86	8%
Dawn (USD\$/mmbtu)	\$ 2.05	\$ 7.21	(72)%	\$ 2.39	\$ 5.81	(59)%
JKM (USD\$/mmbtu)	\$ 11.08	\$ 31.27	(65)%	\$ 15.35	\$ 31.22	(51)%
<b>Oil and condensate</b>						
NYMEX (USD\$/bbl)	\$ 73.61	\$ 108.52	(32)%	\$ 74.80	\$ 101.77	(27)%
Edmonton Par (CAD\$/bbl)	\$ 94.73	\$ 135.35	(30)%	\$ 97.17	\$ 127.02	(24)%
Edmonton Condensate (CAD\$/bbl)	\$ 92.95	\$ 132.18	(30)%	\$ 99.81	\$ 127.68	(22)%

**CURRENCY – EXCHANGE RATES:**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
CAD\$/USD\$ <sup>(1)</sup>	\$ 0.7448	\$ 0.7834	(5)%	\$ 0.7422	\$ 0.7865	(6)%

(1) Average rates for the period.

**TOURMALINE REALIZED PRICES:**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Natural gas (\$/mcf)	\$ 4.31	\$ 6.31	(32)%	\$ 5.27	\$ 5.59	(6)%
Oil (\$/bbl)	\$ 95.07	\$ 112.25	(15)%	\$ 95.12	\$ 105.12	(10)%
Condensate (\$/bbl)	\$ 94.57	\$ 110.35	(14)%	\$ 98.69	\$ 106.05	(7)%
NGL (\$/bbl)	\$ 26.35	\$ 51.83	(49)%	\$ 32.70	\$ 48.33	(32)%
Oil equivalent (\$/boe)	\$ 31.83	\$ 46.08	(31)%	\$ 37.42	\$ 41.82	(11)%

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

The realized average natural gas price for the three months ended June 30, 2023, decreased by 32% to \$4.31/mcf from \$6.31/mcf in the same period of the prior year. For the six months ended June 30, 2023, the realized average natural gas price was \$5.27/mcf, which is 6% lower than the same period of the prior year. The decrease is the result of lower natural gas benchmark prices at the majority of major hubs where the Company sells its natural gas. The lower commodity prices at these hubs were partially offset by the Japan Korea Marker ("JKM") benchmark price which, during the period, was significantly higher than the Canadian benchmark natural gas prices. In January 2023, Tourmaline began delivering gas to Cheniere Energy in the US Gulf Coast which receives a JKM benchmark price.

Realized oil prices decreased by 15% and 10% for the three and six months ended June 30, 2023, respectively, compared to the same periods of the prior year. The decrease reflects lower benchmark oil prices in the first half of 2023 compared to the first half of 2022, partially offset by lower realized losses on financial instruments.

For the three and six months ended June 30, 2023, the realized price of condensate was \$94.57/bbl and \$98.69/bbl, which is 14% and 7%, respectively, lower than the same periods of the prior year. The decrease in realized price reflects lower benchmark prices when compared to the same periods of the prior year partially offset by the lower realized losses on financial instruments.

The realized NGL price for the three and six months ended June 30, 2023, decreased by 49% and 32%, respectively, compared to the same periods of the prior year. The decrease correlates with the decrease in natural gas, oil and condensate benchmark prices in both periods.

## ROYALTIES

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Natural gas						
Crown royalties	\$ 65,707	\$ 202,716	(68)%	\$ 243,462	\$ 346,986	(30)%
GORR royalties	17,267	53,032	(67)%	42,150	86,255	(51)%
Royalty credits	(45,179)	(84,362)	(46)%	(129,624)	(157,570)	(18)%
	37,795	171,386	(78)%	155,988	275,671	(43)%
Oil, condensate and NGL						
Crown royalties	94,170	185,518	(49)%	211,906	309,478	(32)%
GORR royalties	11,343	18,005	(37)%	24,535	32,675	(25)%
Royalty credits	(16,168)	(49,698)	(67)%	(44,077)	(88,879)	(50)%
	89,345	153,825	(42)%	192,364	253,274	(24)%
Total royalties	\$ 127,140	\$ 325,211	(61)%	\$ 348,352	\$ 528,945	(34)%
Royalties as a percentage of commodity sales from production	11.0%	12.5%		13.0%	11.8%	

For the three months ended June 30, 2023, the average effective royalty rate was 11.0% compared to 12.5% for the same period of the prior year. The decrease in the royalty rate reflects lower commodity benchmark prices compared to the prior year.

For the six months ended June 30, 2023, the average effective royalty rate was 13.0% compared to 11.8%, respectively, for the same period of the prior year. The higher commodity price environment in 2022 and 2023 accelerated the rate at which royalty credits are used up thereby reducing the period in which wells are eligible for a lower royalty rate, resulting in an overall higher royalty rate. This effect was partially offset by the lower commodity benchmark prices compared to the same period of the prior year.

Included in the credits received for the three and six months ended June 30, 2023 and 2022 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 Drilling and Completion Cost Allowance ("C\*") in Alberta as well as the Deep Well Royalty Credit Program in British Columbia. The higher commodity prices have resulted in the Company depleting some of these credits on an accelerated timeline and subsequently paying higher royalty rates on producing wells.

The Company now expects its royalty rate for 2023 to be approximately 13%, which has been reduced from the previous guidance of 15%. The reduced rate reflects lower forecast commodity prices in 2023 compared to the previous forecast. 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 June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Marketing revenue	\$ 5,874	\$ 17,018	(65)%	\$ 49,341	\$ 28,869	71%
Marketing purchases	\$ (3,214)	\$ (14,258)	(77)%	\$ (16,351)	\$ (24,512)	(33)%

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 June 30, 2023, marketing revenue decreased by 65% and marketing purchases decreased by 77% compared to the same period of 2022. The decrease in both marketing revenue and marketing purchases can be attributed to the lower benchmark prices in the second quarter of 2023 compared to the same period of the prior year as well as less third-party volume available for purchase.

For the six months ended June 30, 2023, marketing revenue increased by 71% and marketing purchases decreased by 33% compared to the six months ended June 30, 2022. The increase in marketing revenue relates to revenue received by Tourmaline for third-party natural gas purchased by Cheniere Energy at an index price in the Gulf coast and subsequently sold at a JKM benchmark price under Tourmaline's natural gas supply agreement. The net revenue generated from this transaction was recorded as marketing revenue on the unaudited condensed interim statement of income and comprehensive income. The decrease in marketing purchases reflects lower benchmark prices in 2023 combined with lower third-party volume purchased.

## OTHER INCOME

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Other income	\$ 12,399	\$ 8,681	43%	\$ 23,851	\$ 21,036	13%

Other income for the three and six months ended June 30, 2023 was \$12.4 million and \$23.9 million, respectively, compared to \$8.7 million and \$21.0 million, respectively, for the same periods of the prior year. The increase in other income is related to an increase in power generation income and income generated from the sale of carbon credits.

## OPERATING EXPENSES

(000s) except per unit amounts	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Operating expenses	\$ 209,093	\$ 194,018	8%	\$ 428,095	\$ 385,936	11%
Per boe	\$ 4.63	\$ 4.24	9%	\$ 4.63	\$ 4.22	10%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the second quarter of 2023, total operating expenses were \$209.1 million compared to \$194.0 million in 2022, an increase of 8% over a production base decrease of 1%. Operating costs for the six months ended June 30, 2023, were \$428.1 million compared to \$385.9 million for the same period in 2022, reflecting an 11% increase in total costs over a 1% increase in production.

On a per-boe basis, the costs increased from \$4.24/boe for the second quarter of 2022 to \$4.63/boe in the second quarter of 2023. For the six months ended June 30, 2023, operating costs were \$4.63/boe, up from \$4.22/boe for the first six months of 2022. The higher per-boe costs reflect higher fuel and power costs, higher property taxes, insurance, and carbon taxes as well as general inflationary pressures. Additionally, the production acquired through corporate and asset acquisitions over the past year generally 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 2023 are expected to average approximately \$4.50/boe as disclosed in the Company's December 31, 2022 MD&A. The increase over 2022 per-boe costs takes into consideration the higher anticipated property taxes and carbon taxes as well as general inflation. 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 June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Natural gas transportation	\$ 179,994	\$ 180,607	–%	\$ 380,104	\$ 352,014	8%
Oil and NGL transportation	52,623	49,511	6%	106,583	101,272	5%
Total transportation	\$ 232,617	\$ 230,118	1%	\$ 486,687	\$ 453,286	7%
Per boe	\$ 5.15	\$ 5.03	2%	\$ 5.26	\$ 4.96	6%

For the second quarter of 2023, total transportation expenses were \$232.6 million compared to \$230.1 million in the second quarter of 2022. For the six months ended June 30, 2023, transportation expenses were \$486.7 million compared to \$453.3 million for the same period of 2022.

On a per-boe basis, transportation costs increased from \$5.03/boe in the second quarter of 2022 to \$5.15/boe in the second quarter of 2023. For the six months ended June 30, 2023, the per-boe transportation costs increased from \$4.96/boe in the prior year to \$5.26/boe. The increase in per-unit costs for both periods reflects the additional transportation expense related to delivering natural gas to the US Gulf Coast which began in January 2023 as well as higher fuel gas expense due to the higher natural gas benchmark prices at PG&E Malin and PG&E Citygate for the six months ended June 30, 2023.

## GENERAL & ADMINISTRATIVE EXPENSES ("G&A")

<i>(000s) except per unit amounts</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
G&A expenses	\$ 45,580	\$ 39,808	14%	\$ 90,480	\$ 82,061	10%
Administrative and capital recovery	(1,611)	(2,032)	(21)%	(3,761)	(4,198)	(10)%
Capitalized G&A	(10,995)	(11,854)	(7)%	(21,891)	(25,160)	(13)%
Total G&A expenses	\$ 32,974	\$ 25,922	27%	\$ 64,828	\$ 52,703	23%
Per boe	\$ 0.73	\$ 0.57	28%	\$ 0.70	\$ 0.58	21%

Total G&A expenses in the second quarter of 2023 were \$33.0 million compared to \$25.9 million for the same quarter of 2022. For the six months ended June 30, 2023, G&A expenses were \$64.8 million compared to \$52.7 million for the same period of 2022. The increase in G&A expenses per boe for the three and six months ended June 30, 2023 is consistent with the increase in total G&A expenses. The increase is primarily due to staff additions, additional office space, and other costs related to corporate and property acquisitions as well as higher third-party service provider fees, insurance and increased costs related to industry marketing initiatives.

G&A expenses for 2023 are now expected to average approximately \$0.65/boe, up from previous guidance of \$0.60/boe in the Company's December 31, 2022 MD&A. The increase reflects additional staffing costs and industry marketing initiatives as well as general inflation. 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Share-based payments	\$ 23,351	\$ 10,065	\$ 46,024	\$ 19,500
Capitalized share-based payments	(9,590)	(4,450)	(18,774)	(8,583)
Total share-based payments	\$ 13,761	\$ 5,615	\$ 27,250	\$ 10,917
Per boe	\$ 0.30	\$ 0.12	\$ 0.29	\$ 0.12

The Company recognized \$13.8 million and \$27.3 million of share-based payments expense for the three and six months ended June 30, 2023, compared to \$5.6 million and \$10.9 million, respectively, in the same periods of the prior year. Capitalized share-based payments for the three and six months ended June 30, 2023 were \$9.6 million and \$18.8 million compared to \$4.5 million and \$8.6 million, respectively, for the same periods of the prior year.

Share-based payments are higher in 2023 compared to the same periods of 2022, which reflects options with a higher fair value being expensed in 2023 compared to 2022 and the expense related to the Company's restricted share unit ("RSU") plan which was introduced in the fourth quarter of 2022.

### STOCK OPTION PLAN

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the second quarter of 2023, 282,000 stock options were granted at a weighted-average exercise price of \$58.67 per option and 362,989 options were exercised, bringing \$9.3 million of cash into treasury.

### RSU PLAN

At June 30, 2023, the Company had 258,188 RSUs outstanding and recognized \$1.6 million and \$3.3 million of RSU payments expense for the three and six months ended June 30, 2023 (June 30, 2022 – nil). Capitalized RSU payments for the three and six months ended June 30, 2023 were \$1.2 million and \$2.4 million (June 30, 2022 – nil). Both of these amounts are included in the share-based payments table above.

## DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

<i>(000s) except per unit amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total depletion, depreciation and amortization	\$ 307,201	\$ 297,673	\$ 621,019	\$ 591,354
Less mineral lease expiries	(7,861)	(8,347)	(10,835)	(27,558)
Depletion, depreciation and amortization	\$ 299,340	\$ 289,326	\$ 610,184	\$ 563,796
Per boe	\$ 6.63	\$ 6.32	\$ 6.60	\$ 6.17

DD&A expense, excluding mineral lease expiries, was \$299.3 million for the second quarter of 2023 compared to \$289.3 million for the same period of 2022. For the six months ended June 30, 2023, DD&A expense, excluding mineral lease expiries, was \$610.2 million, compared to \$563.8 million for the same period of the prior year, which included depletion of oil and gas interests (excluding plant and facilities) of \$570.0 million (six months ended June 30, 2022 – \$ 526.7 million). The increase in DD&A expense in 2023 over 2022 is primarily due to a higher depletable base, including an increase in future development costs reflecting inflationary pressures.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) of \$6.63/boe and \$6.60/boe for the three and six months ended June 30, 2023, respectively, increased compared to the rate of \$6.32/boe and \$6.17/boe for the same periods of the prior year. The increase in the per boe rate is primarily due to an increase in production in the Spirit River CGU, as a result of the Rising Star acquisition, which carries a higher per-unit DD&A rate than the Company's other CGUs as well as the increase in future development costs.

Mineral lease expiries for the three months ended June 30, 2023 were \$7.9 million, compared to expiries in the same quarter of the prior year of \$8.3 million. For the six months ended June 30, 2023, expiries were \$10.8 million compared to \$27.6 million for the same period of 2022. The expired leases for the three and six months ended June 30, 2023 amount to 1% 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 June 30, 2023 and December 31, 2022, the Company did not identify indicators of impairment on any of its CGUs and therefore, impairment tests were not performed.

## FINANCE EXPENSES

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Interest expense	\$ 6,245	\$ 7,088	(12)%	\$ 15,465	\$ 13,893	11%
Accretion expense	3,913	5,065	(23)%	7,710	8,754	(12)%
Lease interest expense	125	77	62%	221	155	43%
Foreign exchange (gain) on U.S. denominated debt	–	–	–%	–	(7,210)	100%
Realized loss on cross-currency swaps	–	–	–%	–	7,210	(100)%
Transaction costs on corporate and property acquisitions	–	–	–%	–	10	(100)%
<b>Total finance expenses</b>	<b>\$ 10,283</b>	<b>\$ 12,230</b>	<b>(16)%</b>	<b>\$ 23,396</b>	<b>\$ 22,812</b>	<b>3%</b>

Finance expenses for the three months ended June 30, 2023, totaled \$10.3 million compared to \$12.2 million for the same period of 2022. During the second quarter of 2023, the combined average bank debt and senior unsecured notes outstanding was \$569.9 million compared to \$879.2 million for the same period of 2022. The average effective interest rate on the combined bank debt and senior unsecured notes for the three months ended June 30, 2023 was 3.13% compared to 2.57% for the three months ended June 30, 2022.

For the six months ended June 30, 2023, finance expenses totaled \$23.4 million compared to \$22.8 million for the same period of 2022. The average bank debt outstanding and the average effective interest rate on the debt for the six months ended June 30, 2023 was \$663.0 million and 3.62% compared to \$945.5 million and 2.23% for the same period of 2022, respectively.

Interest expense decreased for the second quarter of 2023 due to the decrease in average bank debt outstanding which was partially offset by the increase in the effective interest rate compared to the same period of 2022. For the six months ended June 30, 2023, interest expense increased due to the increase in the effective interest rate which was partially offset by the decrease in average bank debt outstanding compared to the same period of the prior year. The increase in the effective interest rate for both the three and six months ended June 30, 2023 reflects the higher Bank of Canada prime rate in 2023 over the same periods of 2022.

For the three and six months ended June 30, 2023, there were no U.S. dollar draws on the revolving credit facility.

## INCOME TAXES

(000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Current income taxes	\$ 54,602	\$ –	100%	\$ 252,960	\$ –	100%
Deferred income taxes (recovery)	25,174	540,395	(95)%	(89,346)	755,587	(112)%
Income taxes	\$ 79,776	\$ 540,395	(85)%	\$ 163,614	\$ 755,587	(78)%

For the three and six months ended June 30, 2023, current income taxes were \$54.6 million and \$253.0 million compared to nil and nil, respectively for the same periods of the prior year. In the third quarter of 2022, the Company became taxable as a result of taxable income being in excess of available tax deductions.

For the three and six months ended June 30, 2023, the provision for deferred income tax was \$25.2 million and a recovery of \$89.3 million compared to \$540.4 million and \$755.6 million, respectively, for the same periods of the prior year. The decrease in deferred income taxes is primarily due to a decrease in before-tax net earnings and a decrease in the overall effective tax rate for June 30, 2023 to 23.57% compared to 24.16% in 2022.

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

(000s) except per unit amounts	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Cash flow from operating activities	\$ 972,384	\$ 1,351,481	(28)%	\$ 2,510,459	\$ 2,465,130	2%
Per share <sup>(1)</sup>	\$ 2.83	\$ 3.95	(28)%	\$ 7.31	\$ 7.23	1%
Cash flow <sup>(2)</sup>	\$ 784,008	\$ 1,353,926	(42)%	\$ 1,911,143	\$ 2,429,902	(21)%
Per share <sup>(1)(2)</sup>	\$ 2.28	\$ 3.95	(42)%	\$ 5.56	\$ 7.13	(22)%
Net earnings	\$ 510,671	\$ 1,743,547	(71)%	\$ 760,991	\$ 2,419,486	(69)%
Per share <sup>(1)</sup>	\$ 1.49	\$ 5.09	(71)%	\$ 2.22	\$ 7.10	(69)%
Operating netback per boe <sup>(2)</sup>	\$ 19.23	\$ 29.70	(35)%	\$ 23.76	\$ 26.85	(12)%

(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 June 30, 2023, was \$784.0 million or \$2.28 per diluted share compared to \$1.4 billion or \$3.95 per diluted share for the same period of 2022. Cash flow for the six months ended June 30, 2023 was \$1.9 billion or \$5.56 per diluted share compared to \$2.4 billion or \$7.13 per diluted share for the same period of 2022. The decrease in cash flow for the three and six months ended June 30, 2023, compared to the same periods of 2022, reflects a lower operating netback as well a reduction to cash flow of \$54.6 million and \$253.0 million, respectively, relating to current tax expense in 2023.

The Company had after-tax net earnings for the three months ended June 30, 2023, of \$510.7 million or \$1.49 per diluted share compared to after-tax net earnings of \$1.7 billion or \$5.09 per diluted share for the same period of 2022. For the six months ended June 30, 2022, the after-tax net earnings was \$761.0 million or \$2.22 per diluted share compared to after-tax net earnings of \$2.4 billion or \$7.10 per diluted share for the first half of 2022. The decrease in after-tax net earnings reflects an unrealized gain on financial instruments of \$85.8 million and unrealized loss on financial instruments of \$576.2 million for the three and six months ended June 30, 2023, compared to an unrealized gain on financial instruments of \$1.2 billion and \$1.3 billion, respectively, for the same periods of the prior year. The large gain on financial instruments in 2022 was primarily due to unrealized gains recorded on the Company's natural gas embedded derivative. The lower after-tax net earnings also reflects the decrease in the Company's operating netback per boe for both periods.

## CAPITAL EXPENDITURES

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Land and seismic	\$ 7,032	\$ 9,916	\$ 25,949	\$ 24,227
Drilling and completions	178,738	182,891	646,458	529,215
Facilities	39,581	36,093	142,165	117,766
Exploration and production expenditures	225,351	228,900	814,572	671,208
Property acquisitions	39,279	236,755	39,294	261,676
Property dispositions	(498)	(424)	(7,789)	(3,721)
Other	13,185	13,314	25,737	28,755
Total capital expenditures	\$ 277,317	\$ 478,545	\$ 871,814	\$ 957,918

During the second quarter of 2023, the Company invested \$277.3 million of cash consideration compared to \$478.5 million for the same period of 2022. Expenditures on exploration and production were \$225.4 million for the second quarter of 2023 compared to \$228.9 million for the same quarter of 2022. During the six-month period ended June 30, 2023, the Company invested \$871.8 million of cash consideration, net of dispositions, which included \$39.3 million in property acquisitions (six months ended June 30, 2022 - \$957.9 million and \$261.7 million, respectively).

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

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Gross	Net	Gross	Net
Drilled	111	105.37	110	99.90
Completed	102	95.53	106	97.67
Tied-in	108	101.02	119	110.67

Exploration and production capital expenditures in 2023 are forecast to be \$1.675 billion plus an additional \$100.0 million in exploration directed spending, unchanged from previous guidance. The Company expects drilling and completions costs of approximately \$1.46 billion, facilities expenditures (including equipment, pipelines and tie-ins) of \$295.0 million as well as land and seismic expenditures of \$25.0 million. The capital budget is closely monitored and will continue to be adjusted as required, depending on cash flow available.

### **Total Property Acquisitions and Dispositions**

On June 19, 2023, the Company acquired land in NEBC for cash consideration of \$32.5 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately \$32.5 million and the assumption of nil in decommissioning liabilities.

In total, for the six months ended June 30, 2023, the Company completed property acquisitions for cash consideration of \$39.3 million (December 31, 2022 - \$273.8 million) and \$0.8 million in property acquisitions for non-cash consideration (December 31, 2022 - \$9.5 million). The Company assumed \$0.8 million in decommissioning liabilities as a result of these acquisitions (December 31, 2022 - \$20.9 million).

For the six months ended June 30, 2023, the Company also completed property dispositions for total cash consideration of \$7.8 million (December 31, 2022 - \$71.5 million) and non-cash consideration of \$0.8 million (December 31, 2022 - \$9.5 million). The Company removed nil in decommissioning liabilities as a result of these dispositions (December 31, 2022 - \$26.3 million).

## LIQUIDITY AND CAPITAL RESOURCES

### Bank debt

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks, in the amount of \$2.55 billion. In May 2023, the Company extended the maturity date of \$2.34 billion of the revolving credit facility to June 2028, with the remaining \$215.0 million maturing in June 2027. Additionally, the ratio of total debt to total capitalization covenant was increased to 0.65:1 from 0.6:1 and the ratio of adjusted EBITDA to interest expense covenant was removed. With the exception of the change in maturity date and covenants, 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, 2022. 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 the Secured Overnight Financing Rate ("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. In May 2023, the Company extended the maturity date of the operating credit facility to June 2025. The changes to the covenants on the revolving credit facility also apply to the operating credit facility. With the exception of the change in maturity date and covenants, 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, 2022. The maturity date may, at the request of the Company and with consent of the lender, be extended on an annual basis. At June 30, 2023, and December 31, 2022, the operating credit facility was undrawn.

Additionally, the Company has an unsecured credit facility payable on demand in the amount of \$50.0 million with a Canadian bank. At June 30, 2023 and December 31, 2022, the demand credit facility was undrawn. Tourmaline has outstanding letters of credit in the amount of \$33.1 million at June 30, 2023 (December 31, 2022 - \$54.9 million) which are secured by the demand credit 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 June 30, 2023 including the bank debt and senior unsecured notes.

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

As at June 30, 2023, the Company had an adjusted working capital deficit of \$204.1 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 was \$223.3 million) (December 31, 2022 – adjusted working capital of \$124.7 million and working capital of \$809.4 million, respectively). As at June 30, 2023, the Company had \$138.6 million drawn against the revolving credit facility and \$448.5 million of senior unsecured notes outstanding for total bank debt and senior unsecured notes of \$587.1 million (net of debt issue costs) (December 31, 2022 - \$619.1 million). Net debt at June 30, 2023 was \$791.1 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, 2022 - \$494.4 million).

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

### **Normal course issuer bid**

The Company has a normal course issuer bid ("NCIB") in place. On August 2, 2023, the Company renewed its NCIB allowing up to 16,989,041 common shares, representing 5% of its common shares outstanding at July 25, 2023, to be purchased over a period of twelve months commencing on August 8, 2023. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the six months ended June 30, 2023, the Company did not purchase any common shares for cancellation.

### **Dividends**

During the three and six months ended June 30, 2023, the Company paid a quarterly cash dividend of \$0.26 and \$0.51 per common share totalling \$88.2 million and \$172.9 million, respectively, compared to \$0.225 and \$0.425 per common share totalling \$75.5 million and \$142.1 million, respectively, for the same periods of the prior year.

On February 1, 2023, the Company paid a special dividend of \$2.00 per common share totalling \$677.6 million.

On May 3, 2023, the Company paid a special dividend of \$1.50 per common share totalling \$508.7 million.

On August 2, 2023, the Company declared a special dividend of \$1.00 per common share to be paid on August 22, 2023, to holders of record on August 14, 2023.

### **Capital management**

For the remainder of 2023, management will continue to use internally generated cash flow to fund its 2023 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 2022 and 2023 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.

## INVESTMENT IN TOPAZ ENERGY CORP ("TOPAZ")

At June 30, 2023, the Company owned 31.2% of the outstanding common shares of its associate, Topaz. For the three and six months ended June 30, 2023, Tourmaline recorded income from investment in Topaz of \$3.5 million and \$6.0 million, respectively, and Topaz paid cash dividends of \$0.30 and \$0.60 per common share resulting in Tourmaline receiving \$13.5 million and \$27.1 million, respectively, which was recorded as a reduction to the investment in Topaz. For the three and six months ended June 30, 2022, Tourmaline recorded income from investment in Topaz of \$17.8 million and \$22.0 million, respectively, and Topaz paid cash dividends of \$0.26 and \$0.52 per common share resulting in Tourmaline receiving \$13.3 million and \$26.6 million, respectively.

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. For the three and six months ended June 30, 2023, gross overriding royalties of \$26.0 million and \$59.3 million and processing fees of \$9.4 million and \$19.1 million, respectively, were payable to Topaz and are included in the Company's consolidated statement of income and comprehensive income as royalties and operating expenses. For the three and six months ended June 30, 2022, gross overriding royalties of \$62.6 million and \$105.9 million and processing fees of \$9.4 million and \$19.2 million were payable to Topaz.

## SHARES AND STOCK OPTIONS OUTSTANDING

As at August 2, 2023, the Company has 339,784,762 common shares and 12,109,146 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>	\$ 3,706	\$ 7,752	\$ 3,332	\$ 895	\$ 15,685
Firm transportation agreements	967,186	1,716,867	1,339,054	4,891,763	8,914,870
Processing commitments <sup>(2)</sup>	138,062	235,903	177,144	363,837	914,946
Capital commitments <sup>(3)</sup>	41,409	–	–	–	41,409
Revolving Credit Facility <sup>(4)</sup>	–	–	188,963	–	188,963
Senior unsecured notes <sup>(5)</sup>	10,378	20,757	268,516	203,204	502,855
	\$1,160,741	\$ 1,981,279	\$ 1,977,009	\$5,459,699	\$10,578,728

(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 6.48% being the current rate on the revolving credit facility.

(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, 2022.

As at June 30, 2023, 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 June 30, 2023 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and 2022.

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 June 30, 2023 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and 2022.

The Company has a 15-year natural gas supply agreement, under which Tourmaline will deliver 140,000 mmbtu/d (approximately 140,000 mcf/d), which commenced 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 the counterparty in the United States but that Tourmaline ultimately receives a JKM index price, it was determined that the contract 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. For the three and six months ended June 30, 2023, the natural gas embedded derivative resulted in an unrealized loss of \$34.8 million and \$1.1 billion, respectively, as a result of the weakening of the forecast JKM price relative to the forecast NYMEX price (three and six months ended June 30, 2022 – unrealized gain of \$1.2 billion and \$1.8 billion, respectively). At June 30, 2023, the total fair value of the natural gas embedded derivative was \$1.0 billion.

## **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, 2022.

## **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, it was determined that the agreement also included an embedded derivative in accordance with IFRS 9 – Financial Instruments. As a result, an embedded derivative has been 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 following amounts were restated for the first and second quarters of 2022:

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

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

## 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 April 1, 2023 and ending on June 30, 2023 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. 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 May 19, 2022, the Government of British Columbia announced several highlights which will be included in the new oil and gas royalty system which includes the elimination of the following royalty programs: the Deep Well Royalty, the Marginal Well, Ultra-marginal Well, Low Productivity Well Rate Reduction and the Clean Growth Infrastructure Royalty programs. The new system will apply to all new wells and be phased in over two years starting on September 1, 2022. A new minimum royalty rate of 5% will be in effect, which is an increase from the current 3% minimum royalty rate. Additionally, under the new system, existing credits will expire in four years unless transferred to an environmentally-focused land healings and emissions reduction pool. Current wells and any wells that began drilling before September 1, 2022, will pay royalties based on the current royalty framework and effective September 1, 2024, these wells will transition to the rules of the new royalty system. The Company continues to evaluate the impact of these changes and is awaiting further details on all aspects of the final royalty system.

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.

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.

On January 18, 2023, the Government of British Columbia and the BRFN reached an agreement in response to the Blueberry Decision. The agreement will transform how the Province and First Nations steward land, water and resources together, and address cumulative effects in BRFN's claim area through restoration to heal the land, establish areas protected from industrial development, and constrain some of the development activities while a long-term cumulative-effects management regime is implemented. The work of achieving these goals will be carried out through a series of measures; there will be limits on new petroleum and natural gas (PNG) development and a new planning regime for future oil and gas activities. The Company is in the process of understanding how it will be impacted by the agreement and the limits on new developments. 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.

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.

The industry has been impacted by significant cost inflation, rising interest rates, labour shortages and supply constraints, and the Company expects these pressures will continue through the balance of the year and into next year. The Company will continue to actively monitor inflationary pressures and supply chain constraints and their impact on the Company's business.

In addition, 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.

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 the long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cash flow from operating activities (per GAAP)	\$ 972,384	\$1,351,481	\$ 2,510,459	\$ 2,465,130
Current income taxes	(54,602)	–	(252,960)	–
Current income taxes paid	4,207	–	29,236	–
Change in non-cash operating working capital	(137,981)	2,445	(375,592)	(35,228)
Cash flow	\$ 784,008	\$1,353,926	\$ 1,911,143	\$ 2,429,902

#### 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cash flow used in investing activities (per GAAP)	\$ 585,637	\$ 660,163	\$ 1,087,235	\$ 1,119,610
Change in non-cash investing working capital	(308,320)	(181,618)	(215,421)	(161,692)
Capital expenditures	\$ 277,317	\$ 478,545	\$ 871,814	\$ 957,918

## 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Commodity sales from production	\$ 1,158,766	\$2,605,781	\$ 2,674,046	\$ 4,500,952
Premium (loss) on risk management activities	102,576	(203,919)	500,924	(226,883)
Realized gain (loss) on financial instruments	175,259	(293,028)	285,215	(451,551)
Royalties	(127,140)	(325,211)	(348,352)	(528,945)
Transportation costs	(232,617)	(230,118)	(486,687)	(453,286)
Operating expenses	(209,093)	(194,018)	(428,095)	(385,936)
Operating netback	\$ 867,751	\$1,359,487	\$ 2,197,051	\$ 2,454,351

## 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue, excluding processing income	\$ 31.83	\$ 46.08	\$ 37.42	\$ 41.82
Royalties	(2.82)	(7.11)	(3.77)	(5.79)
Transportation costs	(5.15)	(5.03)	(5.26)	(4.96)
Operating expenses	(4.63)	(4.24)	(4.63)	(4.22)
Operating netback	\$ 19.23	\$ 29.70	\$ 23.76	\$ 26.85

## 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:

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Working capital	\$ 223,317	\$ 809,449
Fair value of financial instruments – short-term asset	(466,497)	(709,286)
Lease liabilities – short-term	4,056	3,109
Decommissioning obligations – short-term	31,900	30,000
Unrealized foreign exchange in working capital – liability (asset)	3,153	(8,605)
Adjusted working capital (deficit)	\$ (204,071)	\$ 124,667

### 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:

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Bank debt	\$ (138,568)	\$ (170,767)
Senior unsecured notes	(448,492)	(448,342)
Adjusted working capital (deficit)	(204,071)	124,667
Net debt	\$ (791,131)	\$ (494,442)

## SELECTED QUARTERLY INFORMATION

(\$000s, unless otherwise noted)	2023				2022			2021
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>PRODUCTION</b>								
Natural gas (mcf)	<b>209,876,924</b>	222,277,213	218,634,600	206,138,993	213,277,064	212,484,691	208,774,653	197,475,909
Oil, condensate and NGL (bbls)	<b>10,149,148</b>	10,286,198	10,627,244	9,978,028	10,221,120	10,221,181	9,831,392	9,084,310
Oil equivalent (boe)	<b>45,128,638</b>	47,332,400	47,066,350	44,334,527	45,767,297	45,635,296	44,627,168	41,996,962
Natural gas (mcf/d)	<b>2,306,340</b>	2,469,747	2,376,463	2,240,641	2,343,704	2,360,941	2,269,290	2,146,477
Oil, condensate and NGL (bbls/d)	<b>111,528</b>	114,291	115,513	108,457	112,320	113,569	106,863	98,743
Oil equivalent (boe/d)	<b>495,918</b>	525,916	511,590	481,897	502,937	507,059	485,078	456,489
<b>FINANCIAL</b>								
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	<b>1,436,601</b>	2,023,584	2,176,463	1,743,856	2,108,834	1,713,684	1,529,345	1,213,376
Cash flow from operating activities	<b>972,384</b>	1,538,075	1,115,399	1,112,202	1,351,481	1,113,649	1,058,460	543,855
Per diluted share	<b>2.83</b>	4.48	3.24	3.24	3.95	3.29	3.14	1.66
Cash flow <sup>(1)</sup>	<b>784,008</b>	1,127,135	1,402,647	1,051,400	1,353,926	1,075,976	968,236	761,333
Per diluted share	<b>2.28</b>	3.28	4.08	3.06	3.95	3.18	2.88	2.32
Net earnings (loss)	<b>510,671</b>	250,320	(30,366)	2,097,929	1,743,547	675,939	996,248	361,057
Per basic share	<b>1.51</b>	0.74	(0.09)	6.23	5.20	2.03	3.01	1.12
Per diluted share	<b>1.49</b>	0.73	(0.09)	6.11	5.09	1.99	2.96	1.10
Total assets	<b>17,681,175</b>	18,025,514	18,893,041	20,051,706	17,473,014	16,037,859	15,292,093	14,923,735
Working capital (deficit)	<b>223,317</b>	161,663	809,449	513,115	(132,556)	(672,285)	(361,034)	(591,736)
Adjusted working capital (deficit) <sup>(1)</sup>	<b>(204,071)</b>	(260,949)	124,667	(116,371)	29,500	(154,563)	(103,405)	(70,391)
Capital expenditures <sup>(1)</sup>	<b>277,317</b>	594,497	505,982	415,447	478,545	479,373	447,461	56,108
Dividends paid	<b>596,908</b>	762,320	845,834	748,480	577,854	481,080	306,765	55,739
Total outstanding shares (000s)	<b>339,410</b>	339,047	338,685	337,765	335,914	334,157	330,860	329,598
<b>PER UNIT</b>								
Natural gas (\$/mcf)	<b>4.31</b>	6.18	6.89	5.37	6.31	4.86	4.66	3.88
Oil and NGL (\$/bbl)	<b>52.42</b>	63.16	63.01	63.77	74.63	66.54	56.67	49.21
Revenue (\$/boe)	<b>31.83</b>	42.75	46.24	39.33	46.08	37.55	34.27	28.89
Operating netback (\$/boe) <sup>(1)</sup>	<b>19.23</b>	28.08	30.56	23.68	29.70	23.99	22.10	18.35

(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 411,115 boe per day in 2021 to 500,832 boe per day in 2022 and 510,834 boe per day for the first six months of 2023. 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 \$2.9 billion in 2021, \$4.9 billion in 2022 and forecast 2023 cash flow is \$3.6 billion. The increase in 2022 cash flow over 2021 reflects significant increases in commodity prices and production volumes. The decreases in forecast commodity prices, offset by increased production volumes are expected to result in lower forecast cash flow in 2023.

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.