

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2023	December 31, 2022
<i>(000s) (unaudited)</i>		
Assets		
Current assets:		
Cash & cash equivalents	\$ 46,554	\$ –
Accounts receivable	533,195	1,093,876
Prepaid expenses and deposits	104,983	63,872
Fair value of financial instruments (note 3)	537,197	1,087,309
Total current assets	1,221,929	2,245,057
Long-term asset	2,427	2,788
Fair value of financial instruments (note 3)	773,750	1,192,973
Exploration and evaluation assets (note 4)	261,781	289,050
Property, plant and equipment (note 5)	14,781,836	14,505,182
Right-of-use asset (note 6)	12,343	9,762
Investment in Topaz (note 10)	627,109	648,229
Total Assets	\$ 17,681,175	\$ 18,893,041
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 656,296	\$ 1,012,542
Fair value of financial instruments (note 3)	70,700	378,023
Lease liabilities (note 6)	4,056	3,109
Decommissioning obligations (note 7)	31,900	30,000
Income tax payable	235,660	11,934
Total current liabilities	998,612	1,435,608
Fair value of financial instruments (note 3)	39,915	125,776
Lease liabilities (note 6)	8,715	7,046
Decommissioning obligations (note 7)	503,156	537,053
Bank debt (note 8)	138,568	170,767
Senior unsecured notes (note 9)	448,492	448,342
Deferred taxes	2,397,068	2,481,596
Shareholders' equity:		
Share capital (note 11)	7,746,667	7,725,189
Contributed surplus	324,889	288,334
Retained earnings	5,075,093	5,673,330
Total shareholders' equity	13,146,649	13,686,853
Total Liabilities and Shareholders' Equity	\$ 17,681,175	\$ 18,893,041

Commitments (note 14).

Subsequent events (notes 3 and 11).

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022 (Restated Note 17)	2023	2022 (Restated Note 17)
<i>(000s) except per-share amounts (unaudited)</i>				
Commodity sales from production (note 15)	\$ 1,158,766	\$ 2,605,781	\$ 2,674,046	\$ 4,500,952
Premium (loss) on risk management activities (note 15)	102,576	(203,919)	500,924	(226,883)
Marketing revenue (note 15)	5,874	17,018	49,341	28,869
Royalties	(127,140)	(325,211)	(348,352)	(528,945)
Other income	12,399	8,681	23,851	21,036
Realized gain (loss) on financial instruments	175,259	(293,028)	285,215	(451,551)
Unrealized gain (loss) on financial instruments (note 3)	85,774	1,220,075	(576,151)	1,328,149
	1,413,508	3,029,397	2,608,874	4,671,627
Expenses:				
Operating	209,093	194,018	428,095	385,936
Transportation	232,617	230,118	486,687	453,286
Marketing purchases (note 15)	3,214	14,258	16,351	24,512
General and administration	32,974	25,922	64,828	52,703
Share-based payments	13,761	5,615	27,250	10,917
Depletion, depreciation and amortization (notes 4, 5 and 6)	307,201	297,673	621,019	591,354
(Income) from investment in Topaz (note 10)	(3,500)	(17,767)	(5,970)	(21,951)
(Gain) on acquisitions and divestitures	–	(8,437)	–	(8,437)
Realized foreign exchange (gain) loss	15,075	(6,319)	19,460	(11,829)
Unrealized foreign exchange (gain) loss	2,343	(1,856)	3,153	(2,749)
Total expenses	812,778	733,225	1,660,873	1,473,742
Income from operations	600,730	2,296,172	948,001	3,197,885
Finance expenses	10,283	12,230	23,396	22,812
Income before taxes	590,447	2,283,942	924,605	3,175,073
Current tax expense	54,602	–	252,960	–
Deferred tax expense (recovery)	25,174	540,395	(89,346)	755,587
Net income and comprehensive income	\$ 510,671	\$ 1,743,547	\$ 760,991	\$ 2,419,486
Net income per share (note 12)				
Basic	\$ 1.51	\$ 5.20	\$ 2.24	\$ 7.25
Diluted	\$ 1.49	\$ 5.09	\$ 2.22	\$ 7.10

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(000s) (unaudited)</i>	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2022	\$ 7,725,189	\$ 288,334	\$ 5,673,330	\$13,686,853
Share-based payments	–	27,250	–	27,250
Capitalized share-based payments (note 5)	–	18,774	–	18,774
Share-based payments – other	–	(4,818)	–	(4,818)
Options exercised (note 11)	21,478	(4,644)	–	16,834
Restricted share units settled (note 13)	–	(7)	–	(7)
Dividends paid (note 11)	–	–	(1,359,228)	(1,359,228)
Income attributable to common shareholders	–	–	760,991	760,991
Balance at June 30, 2023	\$ 7,746,667	\$ 324,889	\$ 5,075,093	\$13,146,649

<i>(000s)</i>	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2021	\$ 7,482,534	\$ 284,289	\$ 3,839,529	\$11,606,352
Share-based payments	–	10,917	–	10,917
Capitalized share-based payments (note 5)	–	8,583	–	8,583
Options exercised (note 11)	161,474	(35,893)	–	125,581
Dividends paid (note 11)	–	–	(1,058,934)	(1,058,934)
Income attributable to common shareholders	–	–	2,419,486	2,419,486
Balance at June 30, 2022	\$ 7,644,008	\$ 267,896	\$ 5,200,081	\$13,111,985

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(000s) (unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022 (Restated Note 17)	2023	2022 (Restated Note 17)
Cash provided by (used in):				
Operations:				
Net income	\$ 510,671	\$1,743,547	\$ 760,991	\$2,419,486
Items not involving cash:				
Depletion, depreciation, amortization and impairment	307,201	297,673	621,019	591,354
Accretion (note 7)	3,913	5,065	7,710	8,754
Lease interest expense (note 6)	125	77	221	155
Share-based payments (note 13)	13,761	5,615	27,250	10,917
Current tax expense	54,602	–	252,960	–
Deferred tax expense (recovery)	25,174	540,395	(89,346)	755,587
Unrealized (gain) loss on financial instruments (note 3)	(85,774)	(1,220,075)	576,151	(1,328,149)
(Gain) on acquisitions and divestitures	–	(8,437)	–	(8,437)
Amortization on long-term asset	181	246	361	492
Income from investment in Topaz (note 10)	(3,500)	(17,767)	(5,970)	(21,951)
Unrealized foreign exchange (gain) loss	2,343	(1,856)	3,153	(2,749)
Decommissioning expenditures (note 7)	(3,625)	(3,856)	(17,480)	(22,154)
Cash taxes paid	(4,207)	–	(29,236)	–
Cash paid on restricted share units settled	(7)	–	(7)	–
Dividends received from Topaz (note 10)	13,545	13,299	27,090	26,597
Changes in non-cash operating working capital	137,981	(2,445)	375,592	35,228
Total cash flow from operating activities	972,384	1,351,481	2,510,459	2,465,130
Financing:				
Issue of common shares	9,316	42,663	16,834	125,581
Lease payments (note 6)	(1,183)	(862)	(2,227)	(1,854)
Dividends paid (note 11)	(596,908)	(577,854)	(1,359,228)	(1,058,934)
Increase (decrease) in bank debt	138,568	(155,341)	(32,199)	(410,465)
Increase in senior unsecured notes	438	76	150	152
Total cash flow used in financing activities	(449,769)	(691,318)	(1,376,670)	(1,345,520)
Investing:				
Property, plant and equipment (note 5)	(238,536)	(242,214)	(840,309)	(699,963)
Property acquisitions (note 5)	(39,279)	(236,755)	(39,294)	(261,676)
Proceeds from divestitures (note 5)	498	424	7,789	3,721
Changes in non-cash investing working capital	(308,320)	(181,618)	(215,421)	(161,692)
Total cash flow used in investing activities	(585,637)	(660,163)	(1,087,235)	(1,119,610)
Changes in cash	(63,022)	–	46,554	–
Cash, beginning of period	109,576	–	–	–
Cash, end of period	\$ 46,554	–	\$ 46,554	\$ –

Cash is defined as cash and cash equivalents.

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

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

Corporate Information:

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

These unaudited interim condensed consolidated financial statements reflect only the Company's proportionate interest in such activities. The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 2, 2023.

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

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, the conflict has contributed to increased inflationary pressures on governments, businesses and communities which have been rising since 2021. In response to increasing inflation, central banks around the globe began increasing interest rates in 2022 which has continued in 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 its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

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

CLIMATE CHANGE AND ENVIRONMENTAL REGULATION

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

Regulatory Update

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance (“ESG”) and climate reporting, the International Sustainability Standards Board (“ISSB”) has issued 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 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.

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These unaudited interim condensed consolidated financial statements do not include all of the information and disclosure required in the annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022.

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

On January 1, 2023, the Company's subsidiary, Rising Star Resources Ltd., was amalgamated with Tourmaline.

The accounting policies and significant accounting judgments, estimates, and assumptions used in these unaudited interim condensed consolidated financial statements are consistent with those described in Notes 1 and 2 of the Company's consolidated financial statements for the year ended December 31, 2022.

2. DETERMINATION OF FAIR VALUE

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

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

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

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

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

The fair value of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. Bank debt bears interest at a floating market rate with applicable variable margins, and accordingly the fair market value approximates the carrying amount. The senior unsecured notes are carried at amortized cost. The Company's derivative financial instruments have been assessed on the fair value hierarchy described above and classified as Level 2. The Company's natural gas embedded derivative has been assessed on the fair value hierarchy described above and classified as Level 3.

3. FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 4 of the Company's consolidated financial statements for the year ended December 31, 2022.

Market Risk:

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 and interest rate contracts to be effective economic hedges. As a result, all such contracts are recorded on the interim consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the interim consolidated statement of income and comprehensive income.

The Company has the following financial derivative contracts in place as at June 30, 2023 ⁽¹⁾:

		2023	2024	2025	2026	2027	Fair Value (000s)
Gas							
AECO swaps ⁽²⁾	<i>mmbtu/d</i>	45,820	18,917	–	–	–	\$ (6,881)
	<i>CAD\$/mmbtu</i>	\$ 2.26	\$ 2.26				
NYMEX swaps	<i>mmbtu/d</i>	196,685	100,000	60,000	60,000	20,000	\$ 48,319
	<i>USD\$/mmbtu</i>	\$ 3.35	\$ 3.85	\$ 4.14	\$ 4.14	\$ 4.36	
International swaps	<i>mmbtu/d</i>	26,739	22,956	5,000	–	–	\$ 186,796
	<i>USD\$/mmbtu</i>	\$ 31.26	\$ 21.85	\$ 30.00			
Basis differentials – other	<i>mmbtu/d</i>	37,500	27,500	–	–	–	\$ (33,504)
	<i>USD\$/mmbtu</i>	\$ 0.29	\$ 0.28				
AECO financial collars	<i>mmbtu/d</i>	8,680	3,535	–	–	–	\$ (1,500)
	<i>CAD\$/mmbtu</i>	\$2.20-2.59	\$2.41-2.85				
Call options (writer) ⁽³⁾	<i>mmbtu/d</i>	30,000	40,000	20,000	40,000	40,000	\$ (21,952)
	<i>USD\$/mmbtu</i>	\$ 5.67	\$ 6.50	\$ 8.50	\$ 9.75	\$ 9.50	

Oil							
Financial swaps	<i>bbls/d</i>		8,500	2,746	–	–	– \$ 30,854
	<i>USD\$/bbl</i>	\$	78.16	\$ 79.60			
Financial swaps	<i>bbls/d</i>		600	249	–	–	– \$ (6,183)
	<i>CAD\$/bbl</i>	\$	63.59	\$ 63.95			
Financial collars	<i>bbls/d</i>		500	–	–	–	– \$ 286
	<i>USD\$/bbl</i>	\$	70.00 - \$ 81.80				
Financial collars	<i>bbls/d</i>		400	–	–	–	– \$ (1,979)
	<i>CAD\$/bbl</i>	\$	58.25 - \$ 70.24				
NYMEX call options	<i>bbls/d</i>		4,000	1,246	–	–	– \$ (8,335)
	<i>USD\$/bbl</i>	\$	71.83	\$ 82.35			
Propane financial swaps ⁽⁴⁾	<i>bbls/d</i>		4,837	–	–	–	– \$ 11,438
	<i>USD\$/bbl</i>	\$	34.69				
Total fair value							\$ 197,359

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

(2) These deals are 7A underlying.

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

(4) Propane financial swaps include OPIS Conway, Argus FEI, and Baltic LPG Freight financial swap transactions.

The Company has entered into the following financial commodity derivative contracts subsequent to June 30, 2023:

Type of Contract	Quantity	Time Period	Contract Price
Financial swap – Oil	1,000 bbls/d	August 2023 – December 2024	\$75.15 USD/bbl
Financial swap – Oil	2,000 bbls/d	October 2023 – December 2024	\$71.25 USD/bbl
Financial swap – Oil	1,000 bbls/d	January 2024 – December 2024	\$71.65 USD/bbl
Call options – Oil	1,000 bbls/d	August 2023 – December 2024	\$75.15 USD/bbl

The Company has the following financial foreign currency derivative contracts in place at June 30, 2023:

		2023	2024	2025	Fair Value (000s)
Costless collar	<i>\$USD(000s) Monthly</i>	\$ 110,000	\$ 103,000	\$ 73,000	\$ 29,138
	<i>\$CAD/\$USD</i>	\$ 1.269 – \$ 1.385	\$ 1.295 – \$ 1.416	\$ 1.313 - \$ 1.425	
Average rate forward	<i>\$USD(000s) Monthly</i>	\$ 58,000	\$ 24,000	\$ 5,000	\$ (5,223)
	<i>\$CAD/\$USD</i>	\$ 1.301	\$ 1.318	\$ 1.360	
Total fair value					\$ 23,915

The Company has not entered into any foreign currency derivative contracts subsequent to June 30, 2023.

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 a counterparty in the United States, but Tourmaline ultimately receives a JKM index price, it was determined that the agreement also contained an embedded derivative as a result of the pricing spread between JKM and NYMEX. The Company defined the host contract as a natural gas sales contract with an underlying natural gas price of NYMEX.

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

The Company will have unrealized gains (losses) on the natural gas embedded derivative based on the movements in the JKM and NYMEX price forecasts. 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.

The following table includes quantitative information for the unobservable inputs for the Level 3 natural gas embedded derivative as at June 30, 2023.

	Net fair value asset (millions)	Valuation Approach	Significant unobservable input	Range of significant unobservable inputs/weighted average
Natural gas embedded derivative	\$954.6	Market approach incorporating present value techniques	JKM index pricing spread relative to NYMEX	174% - 398% / 211%

The Level 3 fair value measurements of the natural gas embedded derivative could be materially impacted by a change in the discount rate and significant price movements in natural gas, including international LNG prices. At June 30, 2023, a change in the discount rate or a change in the price of the JKM index over the 15-year contract would have the following impact on the fair value of the embedded derivative:

(000s)	Discount rate		JKM Price	
	1% Increase	1% decrease	5% Increase	5% decrease
Fair value – increase (decrease)	\$ (18,558)	\$ 19,528	\$ 140,811	\$ (140,746)

The following table is a summary of the fair value of financial instruments as at June 30, 2023:

(000s)	Financial derivative contracts	Foreign currency derivative contracts	Natural gas embedded derivatives ⁽¹⁾	Total
Current asset	\$ 175,250	\$ 15,756	\$ 346,191	\$ 537,197
Long-term asset	108,380	32,503	632,867	773,750
Current liability	(53,223)	(17,477)	–	(70,700)
Long-term liability	(33,048)	(6,867)	–	(39,915)
Total fair value of financial instruments	\$ 197,359	\$ 23,915	\$ 979,058	\$ 1,200,332

(1) Includes the JKM natural gas supply agreement embedded derivative and a natural gas to power supply agreement embedded derivative.

The following table provides a summary of the unrealized gains (losses) on financial instruments recorded in the interim consolidated statements of income and comprehensive income for the three and six months ended June 30, 2023 and 2022:

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Unrealized gain (loss) on financial instruments – commodity contracts	\$ 14,024	\$ 43,503	\$ 344,897	\$ (412,666)
Unrealized gain (loss) on financial instruments – foreign currency	106,243	(33,632)	145,217	(14,486)
Unrealized gain (loss) on financial instruments – natural gas embedded derivatives	(34,493)	1,210,204	(1,066,265)	1,755,301
Total unrealized gain (loss) on financial instruments	\$ 85,774	\$ 1,220,075	\$ (576,151)	\$ 1,328,149

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

The Company has the following physical commodity contracts in place at June 30, 2023 ⁽¹⁾⁽⁶⁾:

		2023	2024	2025	2026	2027
Gas						
Fixed price ⁽²⁾	<i>mmbtu/d</i>	506,193	440,413	354,425	87,993	18,956
	<i>CAD\$/mmbtu</i>	\$ 4.44	\$ 4.42	\$ 4.84	\$ 5.81	\$ 4.22
Basis differentials - AEEO ⁽³⁾	<i>mmbtu/d</i>	196,658	120,833	81,726	93,452	40,000
	<i>USD\$/mmbtu</i>	\$ (0.74)	\$ (0.69)	\$ (0.67)	\$ (0.63)	\$ (0.62)
Basis differentials - Dawn	<i>mmbtu/d</i>	20,000	16,667	10,000	10,000	8,329
	<i>USD\$/mmbtu</i>	\$ (0.08)	\$ (0.06)	\$ (0.04)	\$ (0.04)	\$ (0.04)
Basis differentials – Hunt ⁽⁴⁾	<i>mmbtu/d</i>	13,370	–	–	–	–
	<i>USD\$/mmbtu</i>	\$ (0.50)				
Basis differentials – Other ⁽⁵⁾	<i>mmbtu/d</i>	84,103	63,743	35,000	–	–
	<i>USD\$/mmbtu</i>	\$ 0.63	\$ (0.09)	\$ (0.24)		
Oil						
Basis differentials	<i>bbls/d</i>	1,026	–	–	–	–
	<i>USD\$/bbl</i>	\$ (3.13)				

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

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

(3) A portion of these basis deals have a cap on NYMEX, 41.1 mmcf/d at USD\$4.49/mcf for 2023-2024.

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

(5) These are basis differentials for non-AEEO markets.

(6) Tourmaline also has entered into deals to sell 20,000 mmbtu/d priced off Chicago GDD that extends into 2030; and 30,000 mmbtu/d priced off Chicago GDD that extends into 2027. Tourmaline reserves the right to periodically fix the price or lock in the basis in each market. These are basis differentials for non-AEEO markets.

The Company has entered into the following physical contracts subsequent to June 30, 2023:

Type of Contract	Quantity	Time Period	Contract Price
Fixed price - Gas	19,273 GJ/d	August 2023	\$1.85 CAD/GJ
Basis differentials - Oil	1,026 bbls/d	October 2023 – December 2023	\$(2.90) USD/bbl

Capital Management:

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

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

As shown below, as at June 30, 2023, the Company's ratio of net debt to annualized cash flow was 0.25 to 1.00 (December 31, 2022 – 0.09 to 1.00).

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Net debt:		
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 – (asset) liability	3,153	(8,605)
Adjusted working capital (deficit)	\$ (204,071)	\$ 124,667
Bank debt	(138,568)	(170,767)
Senior unsecured notes	(448,492)	(448,342)
Net debt	\$ (791,131)	\$ (494,442)
Annualized cash flow:		
Cash flow from operating activities for the quarter	\$ 972,384	\$ 1,115,399
Current income tax	(54,602)	(7,599)
Current taxes paid	4,207	–
Change in non-cash working capital	(137,981)	294,847
Cash flow	\$ 784,008	\$ 1,402,647
Annualized cash flow (based on most recent quarter annualized)	\$ 3,136,032	\$ 5,610,588
Net debt to annualized cash flow	0.25	0.09

For the six months ended June 30, 2023, the Company increased its quarterly dividend from \$0.25 to \$0.26 per share and paid special dividends of \$2.00 and \$1.50 per share.

4. EXPLORATION AND EVALUATION ASSETS

<i>(000s)</i>	
As at December 31, 2021	\$ 369,882
Transfers to property, plant and equipment (<i>note 5</i>)	(46,234)
Divestitures	(2,068)
Expired mineral leases	(32,530)
As at December 31, 2022	\$ 289,050
Transfers to property, plant and equipment (<i>note 5</i>)	(15,666)
Divestitures	(768)
Expired mineral leases	(10,835)
As at June 30, 2023	\$ 261,781

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

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At June 30, 2023 and December 31, 2022, the Company determined that no internal or external indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

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

Cost

(000s)

As at December 31, 2021	\$ 19,382,403
Capital expenditures	1,698,663
Transfers from exploration and evaluation (note 4)	46,234
Change in decommissioning liabilities (note 7)	(89,211)
Corporate acquisitions	306,837
Property acquisitions	304,160
Divestitures	(76,936)
As at December 31, 2022	\$ 21,572,150
Capital expenditures	859,083
Transfers from exploration and evaluation (note 4)	15,666
Change in decommissioning liabilities (note 7)	(22,984)
Property acquisitions	40,819
Divestitures	(7,787)
As at June 30, 2023	\$ 22,456,947

Accumulated Depletion, Depreciation, Amortization and Impairment

(000s)

As at January 1, 2022	\$ 5,918,825
Depletion, depreciation and amortization	1,148,564
Divestitures	(421)
As at December 31, 2022	\$ 7,066,968
Depletion, depreciation and amortization	608,143
As at June 30, 2023	\$ 7,675,111

Net Book Value

(000s)

As at December 31, 2022	\$ 14,505,182
As at June 30, 2023	\$ 14,781,836

Future development costs of \$13.7 billion were included in the depletion calculation at June 30, 2023 (December 31, 2022 – \$13.6 billion).

Capitalization of G&A and Share-Based Payments

A total of \$21.9 million in G&A expenditures have been capitalized and included in PP&E for the six months ended June 30, 2023 (December 31, 2022 – \$46.7 million). Also included in PP&E are non-cash share-based payments of \$18.8 million (December 31, 2022 - \$21.7 million).

Impairment Assessment

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

Total Acquisitions and Dispositions of Oil and Natural Gas Properties

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

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 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 disposed of nil in decommissioning liabilities as a result of these dispositions (December 31, 2022 - \$26.3 million).

6. LEASES

Right-of-Use Assets

(000s)	As at June 30, 2023	As at December 31, 2022
Balance, beginning of period	\$ 9,762	\$ 10,825
Additions	4,638	1,463
Modifications	(16)	561
Right-of-use assets acquired from corporate acquisitions	–	335
Depreciation	(2,041)	(3,422)
Balance, end of period	\$ 12,343	\$ 9,762

Lease Liabilities

(000s)	As at June 30, 2023	As at December 31, 2022
Balance, beginning of period	\$ 10,155	\$ 11,169
Additions	4,638	1,463
Modifications	(16)	561
Lease liabilities acquired from corporate acquisitions	–	335
Lease interest expense	221	319
Lease payments	(2,227)	(3,692)
Balance, end of period	\$ 12,771	\$ 10,155
Current lease liabilities	\$ 4,056	\$ 3,109
Long-term lease liabilities	\$ 8,715	\$ 7,046

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

7. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total inflated but undiscounted amount of cash flow required to settle its decommissioning obligations is approximately \$1.2 billion (December 31, 2022 – \$1.3 billion). A risk-free rate of 3.09% (December 31, 2022 – 3.28%) and an inflation rate of 1.70% (December 31, 2022 – 2.09%) were used to calculate the decommissioning obligations. The decommissioning obligations at June 30, 2023 have been adjusted by approximately \$31.9 million reflecting the change in the risk-free rate.

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Balance, beginning of period	\$ 567,053	\$ 648,142
Obligation incurred	8,882	21,058
Obligation incurred on corporate acquisitions	–	25,367
Obligation incurred on property acquisitions (<i>note 5</i>)	757	20,850
Obligation divested	–	(26,253)
Obligation settled	(17,480)	(32,995)
Accretion expense	7,710	21,153
Change in future estimated cash outlays	(31,866)	(110,269)
Balance, end of period	\$ 535,056	\$ 567,053
Current decommissioning obligations	\$ 31,900	\$ 30,000
Long-term decommissioning obligation	\$ 503,156	\$ 537,053

8. BANK DEBT

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Revolving credit facility	\$ 140,000	\$ 171,515
Debt issue costs	(1,432)	(748)
Bank debt	\$ 138,568	\$ 170,767

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.

The Company's aggregate borrowing capacity is \$3.1 billion at June 30, 2023 including the senior unsecured notes (note 9). As at, and for the quarter ending June 30, 2023, the Company is in compliance with all debt covenants.

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 for total bank debt and senior unsecured notes of \$587.1 million (net of debt issue costs) (December 31, 2022 - \$619.1 million). The effective interest rate for the six months ended June 30, 2023 was 3.62% (six months ended June 30, 2022 – 2.23%).

9. SENIOR UNSECURED NOTES

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Senior unsecured notes	\$ 450,000	\$ 450,000
Debt issue costs	(1,508)	(1,658)
Senior unsecured notes	\$ 448,492	\$ 448,342

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

10. INVESTMENT IN TOPAZ

At June 30, 2023, the Company owned 31.2% of the outstanding common shares of its associate, Topaz Energy Corp. ("Topaz"). A reconciliation of the investment in Topaz is provided below:

<i>(000s)</i>	As at June 30, 2023	As at December 31, 2022
Balance, beginning of period	\$ 648,229	\$ 745,924
Income from investment in Topaz	5,970	34,358
Dividends received from Topaz	(27,090)	(52,788)
Divestitures of Topaz common shares	–	(87,976)
Gain on dilution of investment in Topaz	–	8,711
Balance, end of period	\$ 627,109	\$ 648,229

For the six months ended June 30, 2023, Topaz paid a cash dividend of \$0.60 per common share and Tourmaline received \$27.1 million, which was recorded as a reduction to the investment in Topaz.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of Common Shares without par value.

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

(b) Common Shares Issued

<i>(000s) except share amounts</i>	As at June 30, 2023		As at December 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	338,684,709	\$ 7,725,189	330,860,313	\$ 7,482,534
For cash on exercise of stock options	725,231	16,834	7,824,396	189,242
Contributed surplus on exercise of stock options	–	4,644	–	53,413
Balance, end of period	339,409,940	\$ 7,746,667	338,684,709	\$ 7,725,189

Normal course issuer bid

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 period 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.

12. EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income and comprehensive income for the period (000s)	\$ 510,671	\$ 1,743,547	\$ 760,991	\$ 2,419,486
Weighted average number of common shares – basic	339,168,194	335,159,697	339,030,143	333,693,751
Earnings per share – basic	\$ 1.51	\$ 5.20	\$ 2.24	\$ 7.25

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income and comprehensive income for the period (000s)	\$ 510,671	\$ 1,743,547	\$ 760,991	\$ 2,419,486
Weighted average number of common shares – diluted	343,608,046	342,537,340	343,559,982	340,985,975
Earnings per share – diluted	\$ 1.49	\$ 5.09	\$ 2.22	\$ 7.10

There were 4,323,675 options excluded from the weighted-average share calculations for the three and six months ended June 30, 2023, respectively, because they were anti-dilutive (three and six months ended June 30, 2022 – 288,000 and 522,500 options, respectively, were anti-dilutive).

13. SHARE-BASED PAYMENTS

STOCK OPTION PLAN

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 25,455,745 shares of common stock, which represents 7.5% of the current outstanding common shares. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is seven years. Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

	Six Months Ended June 30,			
	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of period	12,541,699	\$ 41.22	16,372,528	\$ 24.83
Granted	625,000	60.42	585,500	57.52
Exercised	(725,231)	23.21	(5,054,024)	24.85
Forfeited	(67,000)	67.28	(32,375)	33.10
Stock options outstanding, end of period	12,374,468	\$ 43.10	11,871,629	\$ 26.42

The average trading price of the Company's common shares was \$59.89 during the six months ended June 30, 2023 (six months ended June 30, 2022 – \$58.76).

The following table summarizes stock options outstanding and exercisable at June 30, 2023:

Range of Exercise Price	Number Outstanding at Period End	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Period End	Weighted Average Exercise Price
\$10.23 – 17.84	2,888,905	3.80	\$ 16.00	1,704,757	\$ 15.01
\$17.85 – 31.90	945,914	2.70	23.32	761,251	23.33
\$31.91 – 32.11	3,257,928	4.93	31.96	1,844,417	31.96
\$32.12 – 76.21	1,991,546	5.69	53.10	319,360	48.88
\$76.22 – 80.06	3,290,175	6.19	77.57	–	–
	12,374,468	4.95	\$ 43.10	4,629,785	\$ 25.47

The fair value of options granted during the six-month period ended June 30, 2023 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	June 30,	
	2023	2022
Fair value of options granted (weighted average)	\$ 21.19	\$ 19.62
Risk-free interest rate	3.37%	2.26%
Estimated hold period prior to exercise	4.1 Years	4.3 years
Expected volatility	43.1%	41%
Forfeiture rate	1.8%	1.8%
Dividend per share	\$ 1.04	\$ 0.76

RESTRICTED SHARE UNIT ("RSU") PLAN

In the fourth quarter of 2022, the Company introduced a non-treasury based RSU plan whereby the Company granted RSUs to officers, employees, and consultants of the Company. The RSUs can be granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. The RSUs will be settled on the vesting date in common shares purchased by an independent third-party service provider in the open market.

The following table summarizes the RSUs outstanding at June 30, 2023:

	Six months ended June 30,	
	2023	2022
RSUs outstanding, beginning of period	237,328	–
Granted	4,160	–
Settled	(125)	–
Forfeited	(250)	–
Dividends reinvested	17,075	–
RSUs outstanding, end of period	258,188	–

The expense related to RSUs is calculated using the fair value method based on the Company's share price at the grant date and is recorded in share-based payments with a portion being capitalized.

14. COMMITMENTS

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

PAYMENTS DUE BY YEAR

(000s)	1 Year	2-3 Years	4-5 Years	>5 Years	Total
Operating commitments ⁽¹⁾	\$ 3,706	\$ 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 ⁽²⁾	138,062	235,903	177,144	363,837	914,946
Capital commitments ⁽³⁾	41,409	–	–	–	41,409
Revolving Credit Facility ⁽⁴⁾	–	–	188,963	–	188,963
Senior unsecured notes ⁽⁵⁾	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.

15. REVENUE

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

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

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

(000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Natural gas				
Sales from production	\$ 629,596	\$ 1,740,132	\$ 1,496,578	\$ 2,885,048
Premium (loss) on risk management activities	100,357	(206,116)	494,443	(228,564)
	729,953	1,534,016	1,991,021	2,656,484
Oil				
Sales from production	92,916	132,899	191,413	240,788
Premium on risk management activities	3,406	3,326	8,144	5,649
	96,322	136,225	199,557	246,437
Condensate				
Sales from production	274,092	403,092	587,158	763,558
(Loss) on risk management activities	(629)	(1,129)	(1,105)	(3,968)
	273,463	401,963	586,053	759,590
NGL				
Sales from production	162,162	329,658	398,897	611,558
(Loss) on risk management activities	(558)	–	(558)	–
	161,604	329,658	398,339	611,558
Marketing revenue ⁽¹⁾				
	5,874	17,018	49,341	28,869
Total				
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)
Marketing revenue	5,874	17,018	49,341	28,869
Revenue from contracts with customers	\$ 1,267,216	\$ 2,418,880	\$ 3,224,311	\$ 4,302,938

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and six months ended June 30, 2023, the Company had marketing purchases from third parties of \$3.2 million and \$16.4 million, respectively (three and six months ended June 30, 2022 - \$14.3 million and 24.5 million, respectively).

16. RELATED PARTY

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. From January 1, 2023, to June 30, 2023, gross overriding royalties of \$59.3 million and processing fees of \$19.1 million were payable to Topaz and are included in the Company's consolidated statement of income and comprehensive income as royalties and operating expenses. At June 30, 2023, \$23.1 million of the Company's accounts payable balance was due to Topaz.

17. 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:

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

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