



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

As at March 31, 2024 and for the three months ended March 31, 2024 and 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline Oil Corp.'s ("Tourmaline" or the "Company") unaudited interim condensed consolidated financial statements and related notes as at and for the three months ended March 31, 2024 and the consolidated financial statements for the year ended December 31, 2023. The consolidated financial statements, the MD&A and additional information relating to Tourmaline can be found on SEDAR+ at www.sedarplus.ca or on Tourmaline's website at www.tourmalineoil.com. This MD&A is dated May 1, 2024.

The financial information contained herein has been prepared in accordance with IFRS Accounting Standards 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, political, geopolitical, and social risks, uncertainties and contingencies.

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues and cash flow from, crude oil, condensate, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, condensate, NGL and natural gas properties; crude oil, condensate, NGL and natural gas production levels and product mix and guidance; the payment of any dividends (regular or special) and the timing and amount thereof; the shareholder return plans and 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, geopolitical, 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; risks of wars or other hostilities or geopolitical events, civil insurrection and pandemics; risks relating to Indigenous land claims and duty to consult; climate change risks; severe weather (including wildfires and drought); inflation; supply chain risks; data breaches and cyber attacks; risks relating to the use of artificial intelligence; changes in legislation, including but not limited to tax laws, royalties and environmental regulations (including greenhouse gas emission reduction requirements and other decarbonization or social policies); general economic and business conditions and markets; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available on SEDAR+ at 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; infrastructure access and capacity utilization of owned infrastructure; 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

Numerous factors beyond the Company's control affect the marketability and price of crude oil, condensate, NGL and natural gas which may be volatile for a number of reasons including uncertainties over the supply and demand of these commodities due to government policies, the current state of the world economies, sanctions or import bans, reshuffling of global trade flows, global macro-economic concerns related to rising interest rates and inflation, actions of OPEC+, political and geopolitical uncertainties, ongoing wars and hostilities or other adverse economic or political development in the United States, Europe, Asia or the Middle East. Further, weakening global economic activity, inflation and interest rate uncertainty, and the potential for a recession remain a risk to the pace of demand growth. In addition, natural gas prices are expected to remain under pressure in the near-term due to strong supply and high storage levels. Weather will continue to be a key driver of demand and impact natural gas prices.

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 other 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 Canadian Sustainability Standards Board ("CSSB") has been established to review the ISSB Standards for their suitability for adoption in Canada. In March 2024, the CSSB published two exposure drafts: CSDS 1 - *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2 – *Climate-related Disclosures*, for public comment. Until such time as the CSA and CSSB make final 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.tourmaline.com/>.

The Sustainability Report was developed using the Sustainability Accounting Standards Board ("SASB") standards as a baseline for the sustainability factors relevant 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 three months ended March 31, 2024. The following table summarizes the significant acquisition activity of the Company for the year ended December 31, 2023:

Acquisition	Type	Date	CGU	Purchase Price ⁽¹⁾ (\$ MMs)	Production ⁽²⁾ (boe/d)
Bonavista	Corporate	November 17, 2023	Deep Basin	\$ 1,340.2	60,000

(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 average production at the effective date of the acquisition.

(3) Refer to Note 6 of the Company's consolidated financial statements as at December 31, 2023, for further details about this transaction.

PRODUCTION

	Three Months Ended March 31,		
	2024	2023	Change
Natural gas (<i>mcf/d</i>)	2,682,364	2,469,747	9%
Oil (<i>bbl/d</i>)	13,637	11,738	16%
Condensate (<i>bbl/d</i>)	35,670	32,947	8%
NGL (<i>bbl/d</i>)	95,709	69,606	38%
Oil equivalent (<i>boe/d</i>)	592,077	525,916	13%
Production in (sold from) storage (<i>boe/d</i>)	(6,832)	(2,173)	214%
Total produced volumes (<i>boe/d</i>)	585,245	523,743	12%
Natural gas %	76%	78%	

Production for the three months ended March 31, 2024, increased 13% up to an average of 592,077 boe/d compared to 525,916 boe/d for the same quarter of 2023.

The production increase since March 31, 2023, is a result of the Company's successful exploration and production program and from the acquisition of Bonavista Energy Corporation ("Bonavista") which closed on November 17, 2023 and accounted for the majority of the increase in production.

Included in the average production volumes discussed above, for the first quarter of 2024, was 6,832 boe/d of natural gas, which was withdrawn from storage facilities, during the quarter. Average produced volumes for the first quarter of 2024 were 585,245 boe/d. For the first quarter of 2023, 2,173 boe/d of natural gas was withdrawn from storage facilities resulting in average produced volumes of 523,743 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 2024 is expected to be 580,000 - 590,000 boe/d, unchanged from the previously-disclosed guidance in the Company's December 31, 2023 MD&A.

REVENUE AND REALIZED GAINS (LOSSES)

	Three Months Ended March 31,		
(000s)	2024	2023	Change
Natural gas			
Sales from production	\$ 768,664	\$ 866,982	(11)%
Premium on risk management activities	64,611	394,086	(84)%
Realized gain on financial instruments	86,533	112,876	(23)%
	919,808	1,373,944	(33)%
Oil			
Sales from production	108,664	98,497	10%
Premium on risk management activities	4,301	4,738	(9)%
Realized (loss) on financial instruments	(60)	(2,704)	98%
	112,905	100,531	12%
Condensate			
Sales from production	314,839	313,066	1%
(Loss) on risk management activities	(401)	(476)	16%
Realized (loss) on financial instruments	(188)	(8,151)	98%
	314,250	304,439	3%
NGL			
Sales from production	282,212	236,735	19%
(Loss) on risk management activities	(1,166)	–	(100)%
Realized gain (loss) on financial instruments	(1,840)	7,935	(123)%
	279,206	244,670	14%
Total			
Sales from production	1,474,379	1,515,280	(3)%
Premium on risk management activities	67,345	398,348	(83)%
Realized gain on financial instruments	84,445	109,956	(23)%
Total revenue from commodity sales, premium (loss) on risk management activities, and realized gain (loss) on financial instruments	\$ 1,626,169	\$ 2,023,584	(20)%

Total sales from production for the three months ended March 31, 2024 decreased by 3% compared to the same quarter of 2023. The decrease for the period can be attributed to a decrease in the AECO and Station 2 natural gas benchmark prices as well as lower Edmonton oil and condensate benchmark prices in the first quarter of 2024 partially offset by the increase in produced volumes.

Included in the premium on risk management activities is the premium (loss) 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 Citygate, Chicago Citygate, 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 months ended March 31, 2024, included a premium on risk management activities of \$67.3 million compared to a premium of \$398.3 million for the same period of the prior year. The decrease in the premium on risk management activities reflects significantly lower prices received at Sumas, PG&E Malin, PG&E Citygate and JKM which reduced the premium received compared to AECO.

Total revenue, for the three months ended March 31, 2024, was also impacted by a realized gain on financial instruments of \$84.4 million (three months ended March 31, 2023 – realized gain on financial instruments of \$110.0 million) reflecting higher prices received on financial commodity contracts when compared to lower benchmark prices.

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

BENCHMARK OIL AND GAS PRICES:

	Three Months Ended March 31,		
	2024	2023	Change
Natural gas			
NYMEX Last Day (USD\$/mcf)	\$ 2.24	\$ 3.42	(35)%
AECO 5A (CAD\$/mcf)	\$ 2.55	\$ 3.28	(22)%
West Coast Station 2 (CAD\$/mcf)	\$ 2.60	\$ 3.16	(18)%
Sumas (USD\$/mmbtu)	\$ 3.21	\$ 9.96	(68)%
ATP 5A Day Ahead (CAD\$/mcf)	\$ 2.60	\$ 3.21	(19)%
Chicago Citygate (USD\$/mmbtu)	\$ 2.82	\$ 2.79	1%
Ventura (USD\$/mmbtu)	\$ 3.36	\$ 2.97	13%
PG&E Malin (USD\$/mmbtu)	\$ 3.14	\$ 11.04	(72)%
PG&E Citygate (USD\$/mmbtu)	\$ 3.88	\$ 12.03	(68)%
Dawn (USD\$/mmbtu)	\$ 2.26	\$ 2.86	(21)%
JKM (USD\$/mmbtu)	\$ 9.68	\$ 19.62	(51)%
TTF (USD\$/mmbtu)	\$ 9.88	\$ 24.83	(60)%
Oil and condensate			
NYMEX WTI (USD\$/bbl)	\$ 76.91	\$ 75.99	1%
Edmonton Par (CAD\$/bbl)	\$ 91.79	\$ 99.62	(8)%
Edmonton Condensate (CAD\$/bbl)	\$ 98.78	\$ 106.68	(7)%
Electricity			
AESO (CAD\$/MWH)	\$ 98.91	\$ 141.40	(30)%

CURRENCY – EXCHANGE RATES:

	Three Months Ended March 31,		
	2024	2023	Change
CAD\$/USD\$ ⁽¹⁾	\$ 0.7419	\$ 0.7396	–%

(1) Average rates for the period.

TOURMALINE REALIZED PRICES:

	Three Months Ended March 31,		
	2024	2023	Change
Natural gas (\$/mcf)	\$ 3.77	\$ 6.18	(39)%
Oil (\$/bbl)	\$ 90.98	\$ 95.16	(4)%
Condensate (\$/bbl)	\$ 96.81	\$ 102.67	(6)%
NGL (\$/bbl)	\$ 32.06	\$ 39.06	(18)%
Oil equivalent (\$/boe)	\$ 30.18	\$ 42.75	(29)%

(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 March 31, 2024, decreased by 39% to \$3.77/mcf from \$6.18/mcf in the same period of the prior year. The decrease is the result of lower natural gas benchmark prices at all of the major hubs where the Company sells its natural gas, except at Chicago and Ventura, prior to any deductions for transportation.

Realized oil prices decreased by 4% for the three months ended March 31, 2024, compared to the same period of the prior year consistent with generally lower benchmark oil prices.

For the three months ended March 31, 2024, the realized price of condensate was \$96.81/bbl, which is 6% lower than the prior year. The realized price for the first quarter of 2024 reflects the lower benchmark prices received during the period, partially offset by lower realized losses on financial instruments.

The realized NGL price for the three months ended March 31, 2024, decreased by 18% compared to the same period of the prior year. The decrease correlates with the decrease in natural gas, oil and condensate benchmark prices in the period.

ROYALTIES

(000s)	Three Months Ended		
	2024	2023	March 31, Change
Natural gas			
Crown royalties	\$ 65,718	\$ 177,755	(63)%
GORR royalties	19,522	24,883	(22)%
Royalty credits	(45,343)	(84,445)	(46)%
	39,897	118,193	(66)%
Oil, condensate and NGL			
Crown royalties	102,426	117,736	(13)%
GORR royalties	13,467	13,192	2%
Royalty credits	(5,319)	(27,909)	(81)%
	110,574	103,019	7%
Total royalties	\$ 150,471	\$ 221,212	(32)%
Royalties as a percentage of commodity sales from production	10.2%	14.6%	

For the quarter ended March 31, 2024, the average effective royalty rate was 10.2% compared to 14.6% for the same period of the prior year. The decrease in the royalty rate reflects lower commodity benchmark prices compared to the prior year.

Natural gas royalties of \$39.9 million, for the three months ended March 31, 2024, included crown and GORR royalties of \$85.2 million offset by credits of \$45.3 million. For the three months ended March 31, 2023, natural gas royalties of \$118.2 million included crown and GORR royalties of \$202.6 million offset by credits of \$84.4 million. Included in the credits received for the three months ended March 31, 2024 and 2023, 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 Company continues to expect its royalty rate for 2024 to be approximately 10.5%, unchanged from the previously-disclosed guidance in the Company's December 31, 2023 MD&A. The lower forecast rate in 2024 reflects lower forecast commodity prices compared to 2023. The royalty rate is sensitive to commodity prices, and as such, an increase in commodity prices will increase the actual rate.

COMMODITY MARKETING

(000s)	Three Months Ended March 31,		
	2024	2023	Change
Marketing revenue	\$ 12,014	\$ 43,467	(72)%
Marketing purchases	\$ 10,200	\$ 13,137	(22)%

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

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

For the three months ended March 31, 2024, marketing revenue decreased by 72% and marketing purchases decreased by 22% compared to the same period of 2023. Marketing revenue in the three months ended March 31, 2023 reflects 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 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 commodity benchmark prices and lower volumes purchased.

OTHER INCOME

(000s)	Three Months Ended March 31,		
	2024	2023	Change
Other income	\$ 9,963	\$ 11,452	(13)%

Other income for the three months ended March 31, 2024 was \$10.0 million compared to \$11.5 million for the same period of the prior year. The decrease in other income is related to a decrease in power generation income.

OPERATING EXPENSES

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2024	2023	Change
Operating expenses	\$ 259,233	\$ 219,002	18%
Per boe	\$ 4.81	\$ 4.63	4%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the first quarter of 2024, total operating expenses were \$259.2 million compared to \$219.0 million in the first quarter of 2023, an increase of 18% over a 13% increase in production.

On a per-boe basis, the costs increased from \$4.63/boe for the first quarter of 2023 to \$4.81/boe in the first quarter of 2024. The higher per-boe costs for the three months ended March 31, 2024, reflect higher property taxes 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 2024 are expected to average approximately \$4.80/boe as disclosed in the Company's December 31, 2023 MD&A. The increase over 2023 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 March 31,		
	2024	2023	Change
Natural gas transportation	\$ 228,697	\$ 200,110	14%
Oil and NGL transportation	53,356	53,960	(1)%
Total transportation	\$ 282,053	\$ 254,070	11%
Per boe	\$ 5.23	\$ 5.37	(3)%

For the first quarter of 2024, total transportation expenses were \$282.1 million compared to \$254.1 million in the first quarter of 2023. Transportation expenses in 2024 reflect increased costs related to higher production volumes compared to the prior year as well as more volumes sold outside of Alberta, compared to the prior period.

On a per-boe basis, transportation costs decreased from \$5.37/boe in the first quarter of 2023 to \$5.23/boe in the first quarter of 2024. The decrease in per-unit costs reflects lower fuel gas expense due to the lower natural gas benchmark prices as well as the Bonavista volumes which had lower per-unit transportation expenses.

GENERAL & ADMINISTRATIVE EXPENSES ("G&A")

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2024	2023	Change
G&A expenses	\$ 54,611	\$ 44,900	22%
Administrative and capital recovery	(2,213)	(2,150)	3%
Capitalized G&A	(11,519)	(10,896)	6%
Total G&A expenses	\$ 40,879	\$ 31,854	28%
Per boe	\$ 0.76	\$ 0.67	13%

Total G&A expenses in the first quarter of 2024 were \$40.9 million compared to \$31.9 million for the same quarter of 2023. The increase is primarily due to staff additions, additional office space, and other costs related to corporate and property acquisitions as well as higher third-party service provider fees, insurance and increased costs related to industry marketing initiatives.

On a per-boe basis, G&A costs increased from \$0.67/boe to \$0.76/boe reflecting the increase in total G&A expenses partially offset by higher production over the period.

G&A expenses for 2024 are still expected to average approximately \$0.70/boe. Actual costs per boe can change, however, depending on a number of factors including the Company's actual production levels.

SHARE-BASED PAYMENTS

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,	
	2024	2023
Share-based payments	\$ 25,863	\$ 22,673
Capitalized share-based payments	(10,368)	(9,184)
Total share-based payments	\$ 15,495	\$ 13,489
Per boe	\$ 0.29	\$ 0.28

The Company recognized \$15.5 million of share-based payments expense for the first quarter of 2024 compared to \$13.5 million for the first quarter of 2023. Capitalized share-based payments for the first quarter of 2024 were \$10.4 million compared to \$9.2 million for the same period of the prior year.

Share-based payments are higher in 2024 compared to the same period of 2023, which reflects options with a higher average fair value being expensed in 2024 compared to 2023 and an increase in the number of restricted share units ("RSUs") outstanding.

STOCK OPTION PLAN

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the first quarter of 2024, 386,350 stock options were granted at a weighted-average exercise price of \$57.34 per option and 201,242 options were exercised, bringing \$5.6 million of cash into treasury.

RSU PLAN

At March 31, 2024, the Company had 497,123 RSUs outstanding and recognized \$2.6 million of RSU payments expense for the three months ended March 31, 2024 (March 31, 2023 – \$1.6 million). Capitalized RSU payments for the three months ended March 31, 2024 were \$1.8 million (March 31, 2023 – \$1.2 million). 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 March 31,	
	2024	2023
Total depletion, depreciation and amortization	\$ 386,971	\$ 313,818
Less mineral lease expiries	(1,099)	(2,974)
Depletion, depreciation and amortization	\$ 385,872	\$ 310,844
Per boe	\$ 7.16	\$ 6.57

DD&A expense, excluding mineral lease expiries, was \$385.9 million for the first quarter of 2024 compared to \$310.8 million for the same period of 2023. DD&A expense includes depletion of oil and gas interests (excluding plant and facilities) of \$360.2 million (three months ended March 31, 2023 - \$291.1 million). The increase in DD&A expense in the first quarter of 2024, over the same period of 2023, is primarily due to higher production volumes as well as a higher depletable base, including an increase in future development costs.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) of \$7.16/boe, for the first quarter of 2024, increased compared to the rate of \$6.57/boe for the same period of the prior year. The increase in the per-boe rate is primarily due to the increase in future development costs, which increases the depletable base.

Mineral lease expiries for the three months ended March 31, 2024 were \$1.1 million, compared to expiries in the same quarter of the prior year of \$3.0 million. The expired leases for the three months ended March 31, 2024 amount to less than 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. At March 31, 2024 and December 31, 2023, 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 March 31,		
	2024	2023	Change
Interest expense	\$ 17,561	\$ 9,220	90%
Accretion expense	7,645	3,797	101%
Lease interest expense	403	96	320%
Foreign exchange loss on U.S. denominated debt	5,943	–	100%
Realized (gain) on cross-currency swaps	(5,943)	–	(100)%
Transaction costs on corporate and property acquisitions	268	–	100%
Total finance expenses	\$ 25,877	\$ 13,113	97%

Finance expenses for the three months ended March 31, 2024 totaled \$25.9 million, compared to \$13.1 million for the same period of 2023. During the first quarter of 2024, the combined average bank debt and senior unsecured notes outstanding was \$1.3 billion compared to \$0.8 billion for the same period of 2023. The average effective interest rate on the combined bank debt and senior unsecured notes for the three months ended March 31, 2024 was 4.89% compared to 3.93% for the three months ended March 31, 2023.

Interest expense increased for the first quarter of 2024 due to the higher average bank debt outstanding and an increase in the effective interest rate. The increase in the effective interest rate reflects the higher Bank of Canada prime rate in the first quarter of 2024 over the same period of 2023. For the three months ended March 31, 2024, the Company drew from the credit facility in U.S. dollars, as permitted under the credit facility which, when repaid, created a foreign exchange loss due to the weakening of the Canadian dollar. Concurrent with the draw of U.S. dollar denominated borrowings, the Company entered into cross-currency swaps to offset the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between the Canadian Dollar Offered Rate (“CDOR”) and the Secured Overnight Financing Rate (“SOFR”) without taking on any foreign exchange risk.

INCOME TAXES

(000s)	Three Months Ended March 31,		
	2024	2023	Change
Current income taxes	\$ 31,658	\$ 198,358	(84)%
Deferred income taxes (recovery)	39,274	(114,520)	134%
Income taxes	\$ 70,932	\$ 83,838	(15)%

For the three months ended March 31, 2024, current income taxes were \$31.7 million compared to \$198.4 million for the same period of the prior year. The decrease in current income taxes reflects lower forecast income before taxes for the full year of 2024, estimated at March 31, 2024 compared to the full year 2023 income before taxes estimated at March 31, 2023, primarily as a result of the lower commodity price environment.

For the three months ended March 31, 2024, the provision for deferred income taxes was \$39.3 million compared to a deferred income tax recovery of \$114.5 million for the same period of the prior year. The increase in deferred income taxes is primarily due to the decrease in current income taxes. The overall effective tax rate for March 31, 2024 was consistent with the effective tax rate for March 31, 2023.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

<i>(000s) except per unit amounts</i>	Three Months Ended March 31,		
	2024	2023	Change
Cash flow from operating activities	\$ 640,617	\$ 1,538,075	(58)%
Per share ⁽¹⁾	\$ 1.81	\$ 4.48	(60)%
Cash flow ⁽²⁾	\$ 871,144	\$ 1,127,135	(23)%
Per share ⁽¹⁾⁽²⁾	\$ 2.45	\$ 3.28	(25)%
Net earnings	\$ 244,874	\$ 250,320	(2)%
Per share ⁽¹⁾	\$ 0.69	\$ 0.73	(5)%
Operating netback per boe ⁽²⁾	\$ 17.35	\$ 28.08	(38)%

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

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

Cash flow for the three months ended March 31, 2024, was \$0.9 billion or \$2.45 per diluted share compared to \$1.1 billion or \$3.28 per diluted share for the same period of 2023. The decrease in cash flow in the first quarter of 2024, compared to the same quarter of 2023, reflects a lower operating netback. The decrease was partially offset by the increased production volume and a reduction in current income tax expense of \$166.7 million.

The Company had after-tax net earnings for the three months ended March 31, 2024, of \$244.9 million or \$0.69 per diluted share compared to after-tax net earnings of \$250.3 million or \$0.73 per share for the same period of 2023. The decrease in after-tax net earnings reflects the lower operating netback which was partially offset by the 13% increase in production volume in the first quarter of 2024 and a decrease in the unrealized loss on financial instruments of \$471.5 million.

CAPITAL EXPENDITURES

(000s)	Three Months Ended March 31,	
	2024	2023
Land and seismic	\$ 14,220	\$ 18,917
Drilling and completions	459,322	467,720
Facilities	75,157	102,584
Exploration and production expenditures	548,699	589,221
Property acquisitions	412	15
Property dispositions	(5,497)	(7,291)
Other	12,631	12,552
Total capital expenditures	\$ 556,245	\$ 594,497

During the first quarter of 2024, the Company invested \$556.2 million of cash consideration compared to \$594.5 million for the same period of 2023. Exploration and production expenditures were \$548.7 million for the first quarter of 2024 compared to \$589.2 million for the same quarter of 2023.

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

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	Gross	Net	Gross	Net
Drilled	64	59.29	77	71.37
Completed	75	71.59	72	67.65
Tied-in	70	69.34	83	76.65

Exploration and production expenditures in 2024 are forecast to be \$2.0 billion plus an additional \$40.0 million in exploration-directed spending. The Company expects drilling and completions costs of approximately \$1.7 billion and facilities expenditures (including equipment, pipelines and tie-ins) of \$300.0 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

In total, for the three months ended March 31, 2024, the Company completed property acquisitions for cash consideration of \$0.4 million (December 31, 2023 - \$58.5 million) and \$0.8 million in property acquisitions for non-cash consideration (December 31, 2023 - \$1.0 million). The Company assumed nil in decommissioning liabilities as a result of these acquisitions (December 31, 2023 - \$1.2 million).

For the three months ended March 31, 2024, the Company also completed property dispositions for total cash consideration of \$5.5 million (December 31, 2023 - \$7.8 million) and non-cash consideration of \$0.8 million (December 31, 2023 - \$1.0 million).

Assets Held for Sale

In the first quarter of 2024, the Company committed to a plan to sell certain assets, which were acquired pursuant to the acquisition of Bonavista, completed in November 2023. At March 31, 2024, the Company classified these assets and associated liabilities, as held for sale. The Company completed the disposition of these assets on May 1, 2024. Refer to note 4 of the Company's unaudited interim condensed consolidated financial statements for additional information.

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 with \$2.34 billion maturing in June 2028 and \$215.0 million maturing in June 2027. 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 SOFR (for U.S. borrowings), plus applicable margins. At March 31, 2024, \$872.7 million was drawn on the revolving credit facility.

The Company also has a covenant-based, unsecured, operating credit facility with a Canadian bank in the amount of \$50.0 million. The operating credit facility has a maturity date of June 2025, which may, at the request of the Company and with consent of the lender, be extended on an annual basis. The covenants are the same as the revolving credit facility. At March 31, 2024, and December 31, 2023, 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 March 31, 2024 and December 31, 2023, the demand credit facility was undrawn.

Tourmaline has outstanding letters of credit in the amount of \$59.1 million at March 31, 2024 (December 31, 2023 - \$74.8 million) which are secured by the operating credit facility and the demand facility.

Senior unsecured notes

On January 25, 2021, the Company issued \$250.0 million of senior unsecured notes. The notes bear interest at a fixed rate of 2.077%, payable semi-annually commencing on July 25, 2021, with a maturity date of January 25, 2028, and rank equally with all other present unsecured and subordinated debt of the Company. There are no financial covenants on these senior unsecured notes.

On August 9, 2021, the Company issued \$200.0 million of senior unsecured notes. The notes bear interest at a fixed rate of 2.529%, payable semi-annually commencing on February 12, 2022, with a maturity date of February 12, 2029, and rank equally with all other present unsecured and subordinated debt of the Company. There are no financial covenants on these senior unsecured notes.

The Company's aggregate borrowing capacity is \$3.1 billion at March 31, 2024, including the bank debt and senior unsecured notes.

Adjusted working capital and net debt ⁽¹⁾

As at March 31, 2024, the Company had an adjusted working capital deficit of \$373.5 million, after adjusting for the fair value of short-term financial instruments, short-term lease liabilities, short-term decommissioning obligations and unrealized foreign exchange in working capital (the working capital deficit was \$134.6 million) (December 31, 2023 – adjusted working capital deficit of \$679.5 million and working capital deficit of \$298.3 million, respectively). As at March 31, 2024, the Company had \$872.7 million drawn against the revolving credit facility and \$448.7 million of senior unsecured notes outstanding for total bank debt and senior unsecured notes of \$1.3 billion (net of debt issue costs) (December 31, 2023 - \$1.1 billion). Net debt at March 31, 2024 was \$1.7 billion, 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, 2023 - \$1.8 billion).

(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 three months ended March 31, 2024, the Company did not purchase any common shares for cancellation.

Dividends

During the three months ended March 31, 2024, the Company paid its quarterly cash dividend of \$0.30 per common share totalling \$105.5 million, compared to \$0.25 per common share totalling \$84.7 million for the same period of the prior year.

On March 21, 2024, the Company paid a special dividend of \$0.50 per common share totalling \$175.7 million.

Capital Management

For the remainder of 2024, management will continue to use internally generated cash flow to fund its 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. Cash flow has consistently been directed towards modest, sustainable base dividend increases, special dividends and debt reduction. On a go-forward basis, the Company intends to continue to return the vast majority of cash flow less capital expenditures back to shareholders which will be achieved through 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 March 31, 2024, the Company owned 31.2% of the outstanding common shares of its associate, Topaz. For the three months ended March 31, 2024, Tourmaline recorded income from investment in Topaz of \$1.9 million and Topaz paid a cash dividend of \$0.32 per common share resulting in Tourmaline receiving \$14.4 million, which was recorded as a reduction to the investment in Topaz. For the three months ended March 31, 2023, Tourmaline recorded income from investment in Topaz of \$2.5 million and Topaz paid a cash dividend of \$0.30 per common share and Tourmaline received \$13.5 million.

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. For the three months ended March 31, 2024, gross overriding royalties of \$27.8 million and processing fees of \$9.7 million 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 months ended March 31, 2023, gross overriding royalties of \$32.9 million and processing fees of \$9.6 million were payable to Topaz.

SHARES AND STOCK OPTIONS OUTSTANDING

As at May 1, 2024, the Company has 351,655,280 common shares and 14,616,602 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 ⁽¹⁾	\$ 5,051	\$ 8,660	\$ 8,315	\$ 20,552	\$ 42,578
Firm transportation agreements	1,111,571	1,959,943	1,511,803	5,501,733	10,085,050
Processing commitments ⁽²⁾	156,597	274,317	208,702	331,969	971,585
Capital commitments ⁽³⁾	28,897	6,250	1,750	–	36,897
Revolving credit facility ⁽⁴⁾	–	–	1,148,130	–	1,148,130
Senior unsecured notes ⁽⁵⁾	10,378	20,757	463,936	–	495,071
	\$1,312,494	\$ 2,269,927	\$ 3,342,636	\$ 5,854,254	\$12,779,311

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

(2) Includes processing and power commitments.

(3) Includes drilling commitments.

(4) Includes interest expense at 6.28% being the rate applicable to outstanding debt on the credit facility at March 31, 2024 and interest paid at the maturity of the facility.

(5) Includes interest expense at 2.31% being the average rate applicable on the senior unsecured notes at March 31, 2024 with interest payments made semi-annually.

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, 2023.

As at March 31, 2024, the Company has entered into certain financial derivative contracts in order to manage commodity price and foreign exchange risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. Such financial derivative contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of income and comprehensive income. The contracts that the Company has in place at March 31, 2024 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 and 2023.

The Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. Physical contracts in place at March 31, 2024 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 and 2023.

The Company determines the fair value of embedded derivatives, 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 and discount rates. When determining fair value estimates, the Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's embedded derivatives at March 31, 2024, have been disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 and 2023.

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, 2023.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

There were no changes in the Company's DC&P or ICFR during the period beginning on January 1, 2024 and ending on March 31, 2024 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.

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

When applying IFRS 9 – Financial instruments the Company uses judgement when determining the definition of the host contract and the separate embedded derivative, as well as the assessment of whether the embedded derivative is clearly and closely related to the host contract.

BUSINESS RISKS AND UNCERTAINTIES

Tourmaline monitors and complies with current government regulations that affect its activities, which includes changes to royalty programs or frameworks, the regulation of industrial activities and emission reduction legislation. 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.

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 a 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 in the short term. 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 "Business Risks and Uncertainties" in Tourmaline's most recent annual MD&A, "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 to.

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 (net of current income taxes) necessary to fund its future growth expenditures, to repay debt or to pay dividends. The most directly comparable GAAP measure for cash flow is cash flow from operating activities. A summary of the reconciliation of cash flow from operating activities to cash flow, is set forth below:

(000s)	Three Months Ended March 31,	
	2024	2023
Cash flow from operating activities (per GAAP)	\$ 640,617	\$ 1,538,075
Current income taxes	(31,658)	(198,358)
Current income taxes paid	449,175	25,029
Change in non-cash working capital	(186,990)	(237,611)
Cash flow	\$ 871,144	\$ 1,127,135

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. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures, is set forth below:

(000s)	Three Months Ended March 31,	
	2024	2023
Cash flow used in investing activities (per GAAP)	\$ 584,229	\$ 501,598
Change in non-cash working capital	(27,984)	92,899
Capital expenditures	\$ 556,245	\$ 594,497

Exploration and Production Expenditures

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

(000s)	Three Months Ended March 31,	
	2024	2023
Cash flow used in investing activities (per GAAP)	\$ 584,229	\$ 501,598
Change in non-cash working capital	(27,984)	92,899
Property acquisitions	(412)	(15)
Proceeds from divestitures	5,497	7,291
Other	(12,631)	(12,552)
Exploration and production expenditures	\$ 548,699	\$ 589,221

Operating Netback

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

(000s)	Three Months Ended March 31,	
	2024	2023
Commodity sales from production	\$ 1,474,379	\$ 1,515,280
Premium on risk management activities	67,345	398,348
Realized gain on financial instruments	84,445	109,956
Royalties	(150,471)	(221,212)
Transportation costs	(282,053)	(254,070)
Operating expenses	(259,233)	(219,002)
Operating netback	\$ 934,412	\$ 1,329,300

Non-GAAP Financial Ratio

Operating Netback per-boe

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

(\$/boe)	Three Months Ended March 31,	
	2024	2023
Revenue, excluding processing income	\$ 30.18	\$ 42.75
Royalties	(2.79)	(4.67)
Transportation costs	(5.23)	(5.37)
Operating expenses	(4.81)	(4.63)
Operating netback	\$ 17.35	\$ 28.08

Capital Management Measures

Adjusted Working Capital

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

(000s)	As at March 31, 2024	As at December 31, 2023
	Working capital (deficit)	\$ (134,559)
Fair value of financial instruments – short-term (asset)	(286,897)	(437,535)
Lease liabilities – short-term	6,048	5,796
Decommissioning obligations – short-term	45,000	45,000
Unrealized foreign exchange in working capital – liability (asset)	(3,100)	5,524
Adjusted working capital (deficit)	\$ (373,508)	\$ (679,495)

Net Debt

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

(000s)	As at March 31, 2024	As at December 31, 2023
	Bank debt	\$ (872,677)
Senior unsecured notes	(448,721)	(448,643)
Adjusted working capital (deficit)	(373,508)	(679,495)
Net debt	\$ (1,694,906)	\$ (1,779,732)

SELECTED QUARTERLY INFORMATION

(\$000s, unless otherwise noted)	2024				2023				2022
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
PRODUCTION									
Natural gas (mcf)	244,095,080	233,973,042	213,285,116	209,876,924	222,277,213	218,634,600	206,138,993	213,277,064	
Oil, condensate and NGL (bbls)	13,196,483	12,244,630	10,684,682	10,149,148	10,286,198	10,627,244	9,978,028	10,221,120	
Oil equivalent (boe)	53,878,996	51,240,044	46,232,201	45,128,638	47,332,400	47,066,350	44,334,527	45,767,297	
Natural gas (mcf/d)	2,682,364	2,543,185	2,318,316	2,306,340	2,469,747	2,376,463	2,240,641	2,343,704	
Oil, condensate and NGL (bbls/d)	145,016	133,093	116,138	111,528	114,291	115,513	108,457	112,320	
Oil equivalent (boe/d)	592,077	556,957	502,524	495,918	525,916	511,590	481,897	502,937	
FINANCIAL									
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	1,626,169	1,658,883	1,587,929	1,436,601	2,023,584	2,176,463	1,743,856	2,108,834	
Cash flow from operating activities	640,617	1,012,819	882,814	972,384	1,538,075	1,115,399	1,112,202	1,351,481	
Per diluted share	1.81	2.90	2.56	2.83	4.48	3.24	3.24	3.95	
Cash flow ⁽¹⁾	871,144	918,008	878,532	784,008	1,127,135	1,402,647	1,051,400	1,353,926	
Per diluted share	2.45	2.62	2.55	2.28	3.28	4.08	3.06	3.95	
Net earnings (loss)	244,874	700,202	274,687	510,671	250,320	(30,366)	2,097,929	1,743,547	
Per basic share	0.70	2.02	0.81	1.51	0.74	(0.09)	6.23	5.20	
Per diluted share	0.69	2.00	0.80	1.49	0.73	(0.09)	6.11	5.09	
Total assets	20,024,237	20,097,375	17,788,561	17,681,175	18,025,514	18,893,041	20,051,706	17,473,014	
Working capital (deficit)	(134,559)	(298,280)	(161,167)	223,317	161,663	809,449	513,115	(132,556)	
Adjusted working capital (deficit) ⁽¹⁾	(373,508)	(679,495)	(431,232)	(204,071)	(260,949)	124,667	(116,371)	29,500	
Capital expenditures ⁽¹⁾	556,245	635,987	565,448	277,317	594,497	505,982	415,447	478,545	
Dividends paid	281,195	439,134	428,505	596,908	762,320	845,834	748,480	577,854	
Total outstanding shares (000s)	351,552	351,351	340,544	339,410	339,047	338,685	337,765	335,914	
PER UNIT									
Natural gas (\$/mcf)	3.77	4.25	4.56	4.31	6.18	6.89	5.37	6.31	
Oil and NGL (\$/bbl)	53.53	54.29	57.68	52.42	63.16	63.01	63.77	74.63	
Revenue (\$/boe)	30.18	32.37	34.35	31.83	42.75	46.24	39.33	46.08	
Operating netback (\$/boe) ⁽¹⁾	17.35	19.80	21.61	19.23	28.08	30.56	23.68	29.70	

(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 500,832 boe per day in 2022 to 520,366 boe per day in 2023 and 592,077 boe per day for the first three months of 2024. 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 \$4.9 billion in 2022, \$3.7 billion in 2023 and forecast 2024 cash flow is \$3.5 billion. The decrease in 2023 cash flow over 2022 reflects a decrease in commodity prices partially offset by increased production volumes. In 2024, forecast commodity prices have continued to decrease resulting in lower forecast cash flow offset by increasing production volumes.

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.