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NEWS RELEASE

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## TOURMALINE ANNOUNCES FORMATION OF TOPAZ ENERGY, UNLOCKING VALUE IN TOURMALINE'S SIGNIFICANT ASSET BASE

**Calgary, Alberta** - Tourmaline Oil Corp. (TSX:TOU) ("**Tourmaline**") is pleased to announce the formation of Topaz Energy Corp. ("**Topaz**"), a new private royalty and infrastructure energy company. Tourmaline will sell to Topaz: a royalty interest on Tourmaline lands, a non-operated interest in two of Tourmaline's existing 19 natural gas processing plants, and a contracted interest in a portion of Tourmaline's current third-party revenue for total cash and share consideration of \$775 million.

Topaz will be a low-risk, high-distribution, hybrid royalty and infrastructure energy company with long-term growth plans. Topaz will be capitalized initially with a \$150 to \$200 million third-party equity private placement, with Tourmaline retaining a 75% to 81% equity ownership interest. Tourmaline intends to reduce a portion of its ownership as Topaz participates in future acquisition activities and an anticipated Topaz public liquidity event in 2020. The initial acquisition from Tourmaline is expected to generate approximately \$90 million in revenue<sup>(1)</sup> in 2020, of which it is anticipated approximately 75% will be paid out in quarterly dividends (\$0.80 per share annually, 8% yield).

The assets to be acquired from Tourmaline will consist of three components:

1. A gross overriding royalty ("GORR") on natural gas, oil, and condensate production on 100% of Tourmaline's existing lands (approximately 2.2 million net acres).
2. A non-operated 45% working interest in two natural gas processing plants underpinned by long-term take-or-pay commitments from Tourmaline.
3. A contracted interest in a portion of certain third-party revenues generated by natural gas processing and handling agreements.

Upon completion of the transaction and private placement, Topaz will have a majority-independent Board of Directors and will be managed initially via a management contract with Tourmaline. The Topaz GORR will provide for an interest in Tourmaline lands and access to multiple, well-defined, future drilling and growth opportunities, including exposure to future Tourmaline production growth. Topaz will begin operations with zero debt and will have a scalable business model with the potential for additional transactions with Tourmaline and other industry participants.

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<sup>(1)</sup> Based on Tourmaline's current five-year plan as contained in Tourmaline's Corporate Presentation dated September 2019 available on its website.

The transaction with Topaz is expected to close in mid-November 2019 and is subject to customary closing conditions and regulatory approvals. Peters & Co. Limited is acting as exclusive financial advisor to Topaz.

### **Transaction Rationale**

The transaction with Topaz will monetize a portion of the currently-unrealized, substantial-intrinsic value in Tourmaline's significant infrastructure complex and Tourmaline's industry-leading low-cost profitable EP business.

This transaction has minimal impact on Tourmaline's forecast 2020 cash flow and no impact on current EP plans.

- Tourmaline will utilize the gross cash proceeds of approximately \$135 to \$185 million for potential consolidation activities within the existing three operated core complexes, for debt reduction, and for share buybacks under its existing normal course issuer bid. The transaction will make a top-tier balance sheet even stronger.
- The transaction improves forecast 2020 cash flow per share (debt adjusted)<sup>(2)</sup> from \$6.98 to \$7.33, an increase of 5%, assuming the mid-range of the initial proceeds.
- Tourmaline retains an average working interest of approximately 95% in all of its processing infrastructure and will maintain its low operating and corporate cost structure.
- Tourmaline continues to maintain the strong capital discipline required for the free cash flow generation business plan; EP capital spending in Q3 2019 was fully funded by cash flow generated in the quarter. Much stronger anticipated Q4 2019/Q1 2020 AECO prices, coupled with oil/condensate production growth, is expected to continue to improve Tourmaline's free cash flow.
- At Gundy Ck in the NEBC Montney gas condensate complex, Tourmaline was able to ramp up the new c-60A deep-cut gas plant to the full 200 mmcfpd capability in late August, prior to the start-up of the North Montney pipeline. The ramp up increased overall corporate liquids production (oil, condensate, NGL) to an average of 61,000 - 62,000 bbls/d in September.

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<sup>(2)</sup> Assumes a Tourmaline share price of \$11 per share. 2020 cash flow per share based on assumptions in Tourmaline's current five-year plan.

## Reader Advisories

### U.S. SECURITIES MATTERS

The securities of Topaz have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

### CURRENCY

All amounts in this news release are stated in Canadian dollars unless otherwise specified.

### FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including the following: the benefits to be derived from the proposed transaction with Topaz (the "**Transaction**") including the anticipated cash proceeds therefrom; the closing, timing of closing and terms of the Transaction; Tourmaline's expected ownership level in Topaz and plans to reduce or monetize such ownership in the future; the anticipated public liquidity event for Topaz including the anticipated timing thereof; the anticipated future revenue levels for Topaz and the intention for Topaz to pay dividends on its shares and the anticipated payout ratio of such dividends; the plans for the Board and management structure of Topaz; the potential for Topaz to complete additional transactions with Tourmaline or other industry participants; the potential impact of the Transaction on Tourmaline's cash flow, EP plans and operating costs; the potential use of proceeds from the Transaction including the ability to conduct potential consolidation activities and undertake debt reduction or share repurchases; the ability to generate free cash flow and the impact of future commodity prices on free cash flow levels; strategies to be employed to take advantage of potential improved natural gas prices in the future; anticipated future natural gas prices; the characteristics and quality of Tourmaline and Topaz's assets; maintenance and growth capital expenditure levels; anticipated petroleum and natural gas production and production growth for various periods; the future declaration and payment of dividends and the timing and amount thereof including any future increase; cash flow; cash flow per share; free cash flow; production levels supported by certain of Tourmaline's reserves and drilling inventory; capital spending; cost reduction initiatives; projected operating and drilling costs including anticipated reductions in operating costs per boe; the timing for facility expansions and facility start-up dates; as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities, prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs, the timing of receipt of

regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the state of the economy and the exploration and production business; the availability and cost of financing, labour and services; and ability to market crude oil, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as Tourmaline's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, free cash flow, financial requirements for Tourmaline'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 Tourmaline'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.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although Tourmaline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Tourmaline can give no assurances that it will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, revenues, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Without limiting the generality of the foregoing, there can be no assurance that the Transaction will be completed or if it is, the timing or terms thereof, including without limitation, the assets to be conveyed to Topaz, the size of the retained interest that Tourmaline would hold initially or in the future in Topaz, the cash proceeds to be realized from the Transaction and other arrangements that would exist as between Tourmaline and Topaz including any management contract. The completion of the Transaction is subject to a number of risks and uncertainties, including without limitation, those relating to market conditions and regulatory and third-party approvals. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect Tourmaline, or its operations or financial results, are included in Tourmaline's most recently filed Management's Discussion and Analysis (See "Forward-Looking Statements" therein), Annual Information Form (See "Risk Factors" and "Forward-Looking Statements" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or Tourmaline's website ([www.tourmalineoil.com](http://www.tourmalineoil.com)).

The forward-looking information contained in this news release is made as of the date hereof and Tourmaline undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

#### **NON-GAAP FINANCIAL MEASURES**

This news release includes references to "free cash flow" and "cash flow" which are financial measures commonly used in the oil and gas industry and do not have a standardized meaning prescribed by International Financial Reporting Standards ("GAAP"). Accordingly, Tourmaline's use of these terms may not be comparable to similarly defined financial measures presented by other companies. Management uses the term "free cash flow" and "cash flow" for its own performance measures and to provide shareholders and potential investors with a measurement of Tourmaline's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures, to pay dividends or to repay debt. Investors are cautioned that these non-GAAP financial measures should not be construed as an alternative to net income or cash from operating activities determined in accordance with GAAP as an indication of Tourmaline's performance. Free cash flow is calculated as cash flow less total net capital expenditures and is prior to dividend payments. Total net capital expenditures is defined as total capital spending before acquisitions and non-core dispositions. Cash flow is defined as cash provided by operations before changes in non-cash operating working capital. See "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis for additional information regarding these non-GAAP financial measures including reconciliations to the most directly comparable GAAP financial measures.

#### **FINANCIAL OUTLOOK**

Also included in this news release are estimates of Tourmaline's free cash flow, cash flow and cash flow per share (debt adjusted) over various periods, which are based on, among other things, the various assumptions as to production levels, capital expenditures, annual cash flows and other assumptions disclosed in this news release and including Tourmaline's estimated average production of 300,000 boepd for 2019 and 322,000 boepd for 2020 and commodity price assumptions for 2019 for natural gas (NYMEX (US) - \$2.75/mcf; AECO - \$1.80/mcf, and crude oil (WTI (US) - \$60.00/bbl) and an exchange rate assumption of \$0.76 (US/CAD) and for 2020 for natural gas (NYMEX (US) - \$3.10/mcf; AECO - \$2.00/mcf, and crude oil (WTI (US) - \$55.00/bbl) and an exchange rate assumption of \$0.77 (US/CAD). To the extent such estimates constitute a financial outlook, they were approved by management and the Board of Directors of Tourmaline on July 31, 2019 and are included to provide readers with an understanding of Tourmaline's anticipated aggregate free cash flow based on the capital expenditure, production and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

#### **OIL AND GAS METRICS**

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate Tourmaline's performance however, such measures are not reliable indicators of Tourmaline's future performance and future performance may not compare to Tourmaline's performance in previous periods and therefore such metrics should not be unduly relied upon.

**BOE EQUIVALENCY**

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 the 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.

**GENERAL**

See also "Forward-Looking Statements", and "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis.

**CERTAIN DEFINITIONS:**

<i>bbbl</i>	barrel
<i>bbls/day</i>	barrels per day
<i>bbl/mmcfc</i>	barrels per million cubic feet
<i>bcf</i>	billion cubic feet
<i>bcfe</i>	billion cubic feet equivalent
<i>bpd or bbl/d</i>	barrels per day
<i>boe</i>	barrel of oil equivalent
<i>boepd or boe/d</i>	barrel of oil equivalent per day
<i>bopd or bbl/d</i>	barrel of oil, condensate or liquids per day
<i>DUC</i>	drilled but uncompleted wells
<i>gj</i>	gigajoule
<i>gjs/d</i>	gigajoules per day
<i>mbbls</i>	thousand barrels
<i>mmbbls</i>	million barrels
<i>mboe</i>	thousand barrels of oil equivalent
<i>mboepd</i>	thousand barrels of oil equivalent per day
<i>mcf</i>	thousand cubic feet
<i>mcfpd or mcf/d</i>	thousand cubic feet per day
<i>mcfe</i>	thousand cubic feet equivalent
<i>mmboe</i>	million barrels of oil equivalent
<i>mmbtu</i>	million British thermal units
<i>mmbtu/d</i>	million British thermal units per day
<i>mmcf</i>	million cubic feet
<i>mmcfpd or mmcf/d</i>	million cubic feet per day
<i>MPa</i>	megapascal
<i>mstb</i>	thousand stock tank barrels
<i>NGL or NGLs</i>	natural gas liquids
<i>tcf</i>	trillion cubic feet

## **ABOUT TOURMALINE OIL CORP.**

Tourmaline is a Canadian senior crude oil and natural gas exploration and production company focused on long-term growth through an aggressive exploration, development, production and acquisition program in the Western Canadian Sedimentary Basin.

### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

Tourmaline Oil Corp.

Michael Rose

Chairman, President and Chief Executive Officer

(403) 266-5992

OR

Tourmaline Oil Corp.

Brian Robinson

Vice President, Finance and Chief Financial Officer

(403) 767-3587; brian.robinson@tourmalineoil.com

OR

Tourmaline Oil Corp.

Scott Kirker

Secretary and General Counsel

(403) 767-3593; scott.kirker@tourmalineoil.com

OR

Tourmaline Oil Corp.

Suite 3700, 250 – 6th Avenue S.W.

Calgary, Alberta T2P 3H7

Phone: (403) 266-5992

Facsimile: (403) 266-5952

E-mail: info@tourmalineoil.com

Website: www.tourmalineoil.com