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

As at September 30, 2019 and for the three and nine months ended September 30, 2019 and 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This management’s discussion and analysis (“MD&A“) should be read in conjunction with Tourmaline’s unaudited interim condensed consolidated financial statements and related notes as at and for the three and nine months ended September 30, 2019 and the consolidated financial statements for the year ended December 31, 2018. The consolidated financial statements and the MD&A can be found at www.sedar.com. This MD&A is dated November 6, 2019.

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

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

Certain financial measures referred to in this MD&A are not prescribed by IFRS. See “Non-GAAP Financial Measures” for information regarding the following non-GAAP financial measures used in this MD&A: “cash flow”, “operating netback”, “adjusted working capital” and “net debt”.

Additional information relating to Tourmaline can be found at www.sedar.com or at www.tourmalineoil.com.

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

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues and cash flow from, crude oil, condensate, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, condensate, NGL and natural gas properties; crude oil, condensate, NGL and natural gas production levels and product mix; the payment of dividends and the timing and amount thereof; 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 fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil, condensate, NGL and natural gas operations; environmental, political, social and regulatory risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management and skilled labour; 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; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available at www.sedar.com.

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

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

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

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

PRODUCTION

			Three Months Ended September 30,			Nine Months Ended September 30,
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Natural gas *(mcf/d)*	**1,402,468**	1,253,490	12%	**1,404,200**	1,290,611	9%
Oil *(bbl/d)*	**7,354**	6,973	5%	**7,200**	7,182	–%
Condensate (*bbl/d*)	**16,702**	14,099	18%	**16,762**	14,695	14%
NGL *(bbl/d)*	**31,777**	24,198	31%	**29,844**	24,182	23%
Oil equivalent *(boe/d)*	**289,578**	254,185	14%	**287,839**	261,161	10%
Production in storage (*boe/d*)	**501**	–	100%	**1,169**	–	100%
Total produced volumes (*boe/d*)	**290,079**	254,185	14%	**289,008**	261,161	11%
Natural gas %	**81%**	82%		**81%**	82%	

Production for the three months ended September 30, 2019 averaged 289,578 boe/d, a 14% increase over the average production for the same quarter of 2018 of 254,185 boe/d. For the nine months ended September 30, 2019, production increased 10% to 287,839 boe/d from 261,161 boe/d for the same period of 2018.

The production increase is a result of the Company's successful exploration and production program. The significant growth in condensate and NGL production reflects the continued development of the Gundy area including the commissioning of the Company's Gundy deepcut gas processing facility in June 2019.

In addition to the production discussed above, for the quarter ended September 30, 2019, the Company injected 501 boe/d into natural gas storage facilities (for the nine months ended September 30, 2019 – 1,169 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 inventory is anticipated to be sold later in 2019 or the first quarter of 2020 when natural gas prices are expected to be higher.

Full-year average production guidance for 2019 is 295,000 – 300,000 boe/d within original guidance disclosed in the July 31, 2019 press release.

REVENUE AND REALIZED GAINS (LOSSES)

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Natural gas						
Sales from production	**$ 158,647**	$ 185,678	(15)%	**$ 703,724**	$ 657,259	7%
Realized gain on risk management activities	**77,842**	105,685	(26)%	**255,733**	245,504	4%
Realized gain on financial instruments	**7,189**	1,646	337%	**7,263**	9,023	(19)%
	243,678	293,009	(17)%	**966,720**	911,786	6%
Oil						
Sales from production	**43,594**	49,834	(13)%	**126,178**	142,414	(11)%
Realized gain on risk management activities	**846**	1,053	(20)%	**3,001**	5,310	(43)%
Realized gain (loss) on financial instruments	**14,145**	(19,280)	173%	**24,785**	(49,352)	150%
	58,585	31,607	85%	**153,964**	98,372	57%
Condensate						
Sales from production	**101,162**	109,658	(8)%	**303,971**	328,237	(7)%
Realized gain on risk management activities	–	426	(100)%	–	470	(100)%
Realized (loss) on financial instruments	**(572)**	–	(100)%	**(1,051)**	–	(100)%
	100,590	110,084	(9)%	**302,920**	328,707	(8)%
NGL						
Sales from production	**37,236**	62,011	(40)%	**124,145**	171,857	(28)%
Total						
Sales from production	**340,639**	407,181	(16)%	**1,258,018**	1,299,767	(3)%
Realized gain on risk management activities	**78,688**	107,164	(27)%	**258,734**	251,284	3%
Realized gain (loss) on financial instruments	**20,762**	(17,634)	218%	**30,997**	(40,329)	177%
Total revenue from commodity sales and realized gains (losses) on risk management activities and financial instruments	**$ 440,089**	$ 496,711	(11)%	**$ 1,547,749**	$ 1,510,722	2%

Total sales from production for the three months ended September 30, 2019 decreased 16% to $340.6 million from $407.2 million for the same quarter of 2018. The decrease can be attributed to lower benchmark prices across all commodities during the quarter.

Total sales from production for the nine months ended September 30, 2019 decreased 3% from $1,299.8 million in 2018 to $1,258.0 million in 2019. The decrease reflects lower benchmark prices for oil, condensate and NGLs for the nine months ended September 30, 2019 compared to the prior year. These price declines were partially offset by higher natural gas revenue due to increased production volumes.

The third quarter of 2019 included a gain on risk management activities of $78.7 million compared to a gain of $107.2 million for the same period of the prior year. Included in realized gains on risk management activities are the premiums that Tourmaline receives from selling gas to markets outside Alberta and British Columbia and the premium on physical commodity contract prices compared to benchmark pricing. Tourmaline has significantly diversified the markets where its natural gas is sold including Malin, PG&E City Gate, Chicago, and Dawn, all of which during the quarter had higher natural gas prices as compared to AECO. The decrease in realized gains on risk management activities in the third quarter of 2019 is due to a lower premium over AECO received at several US hubs and lower premiums on the Company's physical hedges compared to the third quarter of 2018.

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

BENCHMARK OIL AND GAS PRICES:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Natural gas						
NYMEX Last Day *(USD$/mcf)*	**$ 2.23**	$ 2.90	(23)%	**$ 2.67**	$ 2.90	(8)%
AECO 5A *(CAD$/mcf)*	**$ 0.92**	$ 1.20	(23)%	**$ 1.53**	$ 1.49	3%
West Coast Station 2 (*CAD$/mcf*)	**$ 0.68**	$ 1.31	(48)%	**$ 0.82**	$ 1.37	(40)%
Sumas (*USD$/mmbtu*)	**$ 2.04**	$ 2.27	(10)%	**$ 5.97**	$ 2.07	188%
ATP 5A Day Ahead (*CAD$/mcf*)	**$ 1.01**	$ 1.93	(48)%	**$ 1.65**	$ 2.02	(18)%
Chicago City Gate (*USD$/mmbtu*)	**$ 2.08**	$ 2.78	(25)%	**$ 2.49**	$ 2.80	(11)%
Ventura (*USD$/mmbtu*)	**$ 2.01**	$ 2.71	(26)%	**$ 2.44**	$ 2.74	(11)%
PG&E Malin (*USD$/mmbtu*)	**$ 2.07**	$ 2.48	(17)%	**$ 2.89**	$ 2.32	25%
PG&E City Gate (*USD$/mmbtu*)	**$ 2.72**	$ 3.15	(14)%	**$ 3.60**	$ 2.93	23%
Dawn (*USD$/mmbtu*)	**$ 2.12**	$ 2.91	(27)%	**$ 2.46**	$ 2.90	(15)%
Oil and condensate						
NYMEX *(USD$/bbl)*	**$ 56.44**	$ 69.43	(19)%	**$ 57.08**	$ 66.74	(14)%
Edmonton Par *(CAD$/bbl)*	**$ 69.13**	$ 77.63	(11)%	**$ 69.51**	$ 76.26	(9)%
Edmonton Condensate (*CAD$/bbl*)	**$ 68.22**	$ 86.19	(21)%	**$ 70.26**	$ 84.33	(17)%

CURRENCY – EXCHANGE RATES:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
CAD$/USD$ (1)	**$ 0.7574**	$ 0.7653	(1)%	**$ 0.7523**	$ 0.7771	(3)%

(1) Average rates for the period.

TOURMALINE REALIZED PRICES:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	**2019**	2018	Change
Natural gas *($/mcf)*	**$ 1.89**	$ 2.54	(26)%	**$ 2.52**	$ 2.59	(3)%
Oil *($/bbl)*	**$ 86.59**	$ 49.27	76%	**$ 78.33**	$ 50.17	56%
Condensate *($/bbl)*	**$ 65.46**	$ 84.87	(23)%	**$ 66.20**	$ 81.94	(19)%
NGL *($/bbl)*	**$ 12.74**	$ 27.85	(54)%	**$ 15.24**	$ 26.03	(41)%
Oil equivalent *($/boe)*	**$ 16.52**	$ 21.24	(22)%	**$ 19.70**	$ 21.19	(7)%

The realized average natural gas price for the three months ended September 30, 2019 decreased by 26% to $1.89/mcf from $2.54/mcf in the same period of the prior year. The decrease is the result of significantly lower natural gas benchmark prices compared to the same period of the prior year.

For the nine months ended September 30, 2019, the realized average natural gas price was $2.52/mcf, which is 3% lower than the same period of the prior year and consistent with the movement in benchmark prices over the period when considering the volume sold at the different sales points.

Realized oil prices increased by 76% and 56% for the three and nine months ended September 30, 2019, respectively, compared to the same periods of the prior year. The realized oil price for the third quarter reflects a $16.1 million realized gain on financial instruments related to unwinding a portion of the Company's oil hedges.

For the three and nine months ended September 30, 2019, the realized price of condensate was $65.46/bbl and $66.20/bbl which is 23% and 19%, respectively, lower than the same periods of the prior year. The decrease is consistent with the decline in benchmark prices experienced during the first nine months of 2019.

The realized NGL price for the three and nine months ended September 30, 2019, decreased by 54% and 41%, respectively. The decrease reflects significantly lower benchmark prices for propane, butane, and pentane in the first nine months of 2019 compared to the same period of the prior year.

ROYALTIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2019**	2018	**2019**	2018
Natural gas	**$ (6,352)**	$ (2,845)	**$ 6,035**	$ (1,015)
Oil, condensate and NGL	**19,006**	24,725	**54,436**	63,004
Total royalties	**$ 12,654**	$ 21,880	**$ 60,471**	$ 61,989
Royalties as a percentage of commodity sales from production	**3.7%**	5.4%	**4.8%**	4.8%

For the quarter ended September 30, 2019, the average effective royalty rate was 3.7% compared to 5.4% for the quarter ended September 30, 2018. The rate decrease compared to the third quarter of 2018 is generally attributable to the lower benchmark prices for all of the Company's commodities. Natural gas royalties for the quarter were negative as all royalty credits, including gas cost allowance (credit provided for processing the Crown's volumes), during the quarter were greater than the royalties owed on natural gas production.

For the nine-month period ended September 30, 2019, the average effective royalty rate of 4.8% was consistent with the same period of the prior year.

The Company continues to benefit from the New Well Royalty Reduction Program and the Natural Gas Deep Drilling Program in Alberta, as well as the Deep Royalty Credit Program in British Columbia. The Company also receives gas cost allowance from the Crown, which further reduces royalties to account for expenses incurred to process and transport the Crown's portion of natural gas production.

The Company continues to expect its royalty rate for 2019 to be approximately 5%, as previously disclosed in the Company's December 31, 2018 MD&A. The royalty rate is sensitive to commodity prices and, as such, fluctuations in commodity prices will impact the actual rate.

COMMODITY MARKETING

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Marketing revenue	**$ 9,533**	$ 7,909	21%	**$ 22,288**	$ 19,107	17%
Marketing purchases	**(8,555)**	(7,614)	12%	**(20,601)**	(18,344)	12%
	$ 978	$ 295	232%	**$ 1,687**	$ 763	121%

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 September 30, 2019, marketing revenue and marketing purchases increased 21% and 12%, respectively, compared to the three months ended September 30, 2018. For the three and nine months ended September 30, 2019, the increase in both revenue and purchases can be attributed to the Company purchasing more third-party production compared to the same periods of the prior year.

OTHER INCOME

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Other income	**$ 11,191**	$ 8,768	28%	**$ 27,842**	$ 26,532	5%

Other income for the three and nine months ended September 30, 2019 was $11.2 million and $27.8 million compared to $8.8 million and $26.5 million for the same period of 2018. The increase in 2019 can mostly be attributed to higher power generation as well as other third party income.

OPERATING EXPENSES

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per unit amounts	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Operating expenses	**$ 82,904**	$ 80,370	3%	**$ 263,532**	$ 237,202	11%
Per boe	**$ 3.11**	$ 3.44	(10)%	**$ 3.35**	$ 3.33	1%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the third quarter of 2019, total operating expenses were $82.9 million compared to $80.4 million in 2018, an increase of 3% over a production base increase of 14% for the same period. Operating costs for the nine months ended September 30, 2019 were $263.5 million compared to $237.2 million for the same period of 2018. The increase is consistent with the increase in production over the same period.

On a per-boe basis, the costs decreased from $3.44/boe for the third quarter of 2018 to $3.11/boe in the third quarter of 2019. The decrease in per-boe costs in the third quarter of 2019 is related to lower processing and gathering fees as the commissioning of the Gundy deepcut gas processing facility resulted in less production volume processed at third party facilities. For the nine months ended September 30, 2019, operating costs of $3.35/boe were consistent with those of the prior year at $3.33/boe.

The Company has not changed its guidance on full year operating expenses from the originally disclosed amount of $3.45/boe, although given the trend in the third quarter of 2019, the Company is optimistic that the per-boe costs for 2019 could come in lower than the original guidance. Actual operating costs per boe can change, however, depending on a number of factors, including the Company's actual production levels.

TRANSPORTATION

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per unit amounts	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Natural gas transportation	**$ 73,960**	$ 65,320	13%	**$ 224,482**	$ 183,183	23%
Oil and NGL transportation	**28,213**	21,498	31%	**71,915**	64,942	11%
Total transportation	**$ 102,173**	$ 86,818	18%	**$ 296,397**	$ 248,125	19%
Per boe	**$ 3.84**	$ 3.71	4%	**$ 3.77**	$ 3.48	8%

For the third quarter of 2019, total transportation expenses were $102.2 million compared to $86.8 million in the third quarter of 2018. For the nine months ended September 30, 2019, transportation expenses were $296.4 million, compared to $248.1 million for the same period of 2018. Both periods reflect increased costs related to higher production volumes as well as increased volumes going to diversified sales points.

On a per-boe basis, the transportation costs increased from $3.71/boe for the third quarter of 2018 to $3.84/boe in the third quarter of 2019. For the nine months ended September 30, 2019, the per-boe transportation costs increased from $3.48/boe for the first nine months of 2018 to $3.77/boe. The increase in per-unit costs in 2019 reflects the increased focus on diversifying markets where Tourmaline sells its natural gas. In the third quarter of 2018, Tourmaline added an additional 100 mmcf/d of transportation capacity to access the Malin and PG&E markets where the Company received a higher price for its natural gas when compared to the AECO benchmark price. The increased volume transported to Malin and PG&E for the nine months ended September 30, 2019 compared to 2018 resulted in higher per-boe fuel and transportation costs.

GENERAL & ADMINISTRATIVE EXPENSES ("G&A")

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per unit amounts	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
G&A expenses	**$ 21,816**	$ 22,262	(2)%	**$ 65,494**	$ 64,207	2%
Administrative and capital recovery	**(1,414)**	(2,492)	(43)%	**(5,568)**	(6,931)	(20)%
Capitalized G&A	**(7,525)**	(7,052)	7%	**(22,293)**	(20,702)	8%
Total G&A expenses	**$ 12,877**	$ 12,718	1%	**$ 37,633**	$ 36,574	3%
Per boe	**$ 0.48**	$ 0.54	(11)%	**$ 0.48**	$ 0.51	(6)%

Total G&A expenses in the third quarter of 2019 were $12.9 million compared to $12.7 million for the same quarter of 2018. For the nine-month period ended September 30, 2019, G&A expenses were $37.6 million compared to $36.6 million for the same period of 2018. The increase is primarily due to staff additions needed to manage the larger production, reserve and land base as well as higher third-party service provider fees and increased industry marketing initiatives. These increases were partially offset by a reduction to G&A of $3.7 million ($0.05/boe) due to the adoption of IFRS 16 – *Leases*. See the section "*Changes in Accounting Policies*" in this MD&A for additional information.

G&A expenses for 2019 are expected to average approximately $0.45/boe which is unchanged from the initial guidance released in the Company's December 31, 2018 MD&A. Actual costs per boe can change, however, depending on a number of factors including the Company's actual production levels.

SHARE-BASED PAYMENTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s) except per unit amounts	**2019**	**2018**	**2019**	**2018**
Share-based payments	**$ 6,170**	$ 8,474	**$ 19,257**	$ 23,094
Capitalized share-based payments	**(2,750)**	(3,654)	**(8,484)**	(9,760)
Total share-based payments	**$ 3,420**	$ 4,820	**$ 10,773**	$ 13,334
Per boe	**$ 0.13**	$ 0.21	**$ 0.14**	$ 0.19

The Company uses the fair-value method for the determination of non-cash share-based payments expense. During the third quarter of 2019, 3,270,400 stock options were granted at a weighted-average exercise price of $12.66 per option.

The Company recognized $3.4 million of share-based payments expense in the third quarter of 2019 compared to $4.8 million in the third quarter of 2018. Capitalized share-based payments for the third quarter of 2019 were $2.8 million compared to $3.7 million for the same period of the prior year.

Share-based payments are lower in 2019 compared to the same period of 2018, which reflects options with a lower fair value being expensed in 2019 compared to 2018.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s) except per unit amounts	**2019**	**2018**	**2019**	**2018**
Total depletion, depreciation and amortization	**$ 212,177**	$ 192,593	**$ 643,026**	$ 586,629
Less mineral lease expiries	**(11,971)**	(10,213)	**(44,795)**	(32,024)
Depletion, depreciation and amortization	**$ 200,206**	$ 182,380	**$ 598,231**	$ 554,605
Per boe	**$ 7.51**	$ 7.80	**$ 7.61**	$ 7.78

DD&A expense, excluding mineral lease expiries, was $200.2 million for the third quarter of 2019 compared to $182.4 million for the same period of 2018. For the nine-month period ended September 30, 2019, DD&A expense (excluding mineral lease expiries) was $598.2 million compared to $554.6 million for the same period of 2018. The increase in DD&A expense in 2019 over 2018 is primarily due to higher production volumes.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) for the three and nine months ended September 30, 2019 of $7.51/boe and $7.61/boe, respectively, were generally consistent with the rates for the same periods of 2018 at $7.80/boe and $7.78/boe.

Mineral lease expiries for the three months ended September 30, 2019 were $12.0 million, compared to expiries in the same quarter of the prior year of $10.2 million. For the nine months ended September 30, 2019, expiries were $44.8 million compared to $32.0 million for the same period of 2018. For 2019, these expires amount to approximately 2% of Tourmaline's total land base. The Company prioritizes drilling on what it believes to be the most cost-efficient and productive acreage and, with such a large land base, the Company has chosen not to continue some of the expiring sections of land. The Company explores all alternatives (including swaps, farm-outs, joint ventures and dispositions) to realize the value from these sections before they expire.

FINANCE EXPENSES

(000s)	Three Months Ended September 30, 2019	2018	Change	Nine Months Ended September 30, 2019	2018	Change
Interest expense	**$ 15,948**	$ 12,781	25%	**$ 45,381**	$ 37,375	21%
Capitalized borrowing costs	–	–	–%	**(3,026)**	–	(100)%
Accretion expense	**1,553**	1,425	9%	**4,300**	4,132	4%
Lease interest expense	**58**	–	100%	**177**	–	100%
Foreign exchange (gain) loss on U.S. denominated debt	**15,476**	(22,638)	168%	**(24,694)**	54,558	(145)%
Realized (gain) loss on cross-currency swaps	**(15,476)**	22,638	(168)%	**24,694**	(54,558)	145%
Realized (gain) loss on interest rate swaps	**(164)**	1,287	(113)%	**(962)**	1,706	(156)%
Transaction costs on property acquisitions	–	–	–%	–	75	(100)%
Total finance expenses	**$ 17,395**	$ 15,493	12%	**$ 45,870**	$ 43,288	6%

Finance expenses for the three months ended September 30, 2019 totaled $17.4 million compared to $15.5 million for the same period of 2018. The average bank debt outstanding and the average effective interest rate on the debt was $1,746.3 million and 3.21% for the three months ended September 30, 2019 compared to $1,444.2 million and 3.11% for the same period of 2018, respectively.

For the nine months ended September 30, 2019, finance expenses totaled $45.9 million compared to $43.3 million for the same period of 2018. The average bank debt outstanding and the average effective interest rate on the debt for the nine months ended September 30, 2019 was $1,651.8, million and 3.25% compared to $1,508.6 million and 2.93% for the same period of 2018, respectively.

The increase in the effective interest rate for the three and nine months ended September 30, 2019 compared to the same periods of 2018 is consistent with the increase in the Bank of Canada prime rate over the same period resulting in an increase in interest expense. For the nine months ended September 30, 2019, the Company recorded $3.0 million in capitalized borrowing costs related to long-term capital projects which lowered finance expenses for the period.

For the nine months ended September 30, 2019, the Company drew from the credit facility in U.S. dollars, as permitted under the credit facility, which when repaid created a foreign exchange gain due to the strengthening of the Canadian dollar. Concurrent with the draw of U.S. dollar denominated borrowings, the Company enters into cross-currency swaps to manage the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between CDOR and LIBOR without taking on foreign exchange risk.

DEFERRED INCOME TAXES

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Deferred income taxes (recovery)	**$ 6,735**	$ 26,190	(74)%	**$ (50,566)**	$ 90,621	(156)%

For the three months ended September 30, 2019, the provision for deferred income tax expense was $6.7 million compared to deferred income tax expense of $26.2 million for the same period of 2018. The decrease in deferred income taxes is due to lower net income before taxes of $22.4 million compared to $81.8 million for the three months ended September 30, 2019 and 2018, respectively.

For the nine months ended September 30, 2019, the provision for deferred income tax was a recovery of $50.6 million compared to deferred income tax expense of $90.6 million for the same period of 2018. The deferred income tax recovery is primarily due to a reduction of the Alberta corporate tax rate from 12% to 8% by 2022 which was enacted as at June 30, 2019 with an effective date of July 1, 2019. The effect of the tax rate change resulted in a deferred income tax recovery of $108.9 million in the second quarter of 2019.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per unit amounts	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Cash flow from operating activities	**$ 205,798**	$ 314,191	(34)%	**$ 887,200**	$ 939,494	(6)%
Per share [1]	**$ 0.76**	$ 1.15	(34)%	**$ 3.26**	$ 3.46	(6)%
Cash flow [2]	**$ 223,984**	$ 287,421	(22)%	**$ 869,684**	$ 911,930	(5)%
Per share [1][2]	**$ 0.82**	$ 1.06	(23)%	**$ 3.20**	$ 3.36	(5)%
Net earnings	**$ 15,750**	$ 55,296	(72)%	**$ 258,400**	$ 210,523	23%
Per share [1]	**$ 0.06**	$ 0.20	(70)%	**$ 0.95**	$ 0.78	22%
Operating netback per boe [2]	**$ 9.10**	$ 13.15	(31)%	**$ 11.81**	$ 13.51	(13)%

(1) Per share amounts have been calculated using the weighted average number of diluted common shares.
(2) See "Non-GAAP Financial Measures".

Cash flow for the three months ended September 30, 2019 was $224.0 million or $0.82 per diluted share compared to $287.4 million or $1.06 per diluted share for the same period of 2018. Cash flow for the nine months ended September 30, 2019 was $869.7 million or $3.20 per diluted share compared to $911.9 million or $3.36 per diluted share for the same period of 2018. The decrease in cash flow for the three and nine months ended September 30, 2019 reflects lower benchmark commodity prices partially offset by an increase in production over the same periods of 2018.

The Company had after-tax net earnings for the three months ended September 30, 2019 of $15.8 million or $0.06 per diluted share compared to after-tax net earnings of $55.3 million or $0.20 per diluted share for the same period of 2018. The after-tax net earnings for the three months ended September 30, 2019 were significantly impacted by lower commodity prices resulting in a lower operating netback.

For the nine-month period ended September 30, 2019, after-tax net earnings were $258.4 million or $0.95 per diluted share compared to after-tax net earnings of $210.5 million or $0.78 per diluted share for the first nine months of 2018. The increase in after-tax net earnings reflects a large deferred income tax recovery for the nine months ended September 30, 2019 of $50.6 million due to the reduction in the Alberta corporate income tax rate compared to a deferred income tax expense of $90.6 million for the same period of the prior year.

CAPITAL EXPENDITURES

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2019**	**2018**	**2019**	**2018**
Land and seismic	**$ 1,374**	$ 1,172	**$ 4,439**	$ 14,153
Drilling and completions	**165,655**	248,557	**513,458**	547,268
Facilities	**34,104**	152,539	**248,516**	305,124
Property acquisitions	**174,439**	118	**175,035**	1,810
Property dispositions	–	–	**(1,838)**	(71,234)
Other	**8,735**	7,533	**27,260**	22,122
Total cash capital expenditures	**$ 384,307**	$ 409,919	**$ 966,870**	$ 819,243

During the third quarter of 2019, the Company invested $384.3 million of cash consideration, net of dispositions, compared to $409.9 million for the same period of 2018. Expenditures on exploration and production were $201.1 million for the third quarter of 2019 compared to $402.3 million for the same quarter of 2018. During the nine-month period ended September 30, 2019, the Company invested $966.9 million of cash consideration, including acquisitions and net of dispositions, compared to $819.2 million for the same period of 2018.

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

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
	Gross	**Net**	**Gross**	**Net**
Drilled	**152**	**145.80**	179	162.15
Completed	**140**	**133.21**	169	146.79
Tied-in	**152**	**137.72**	155	140.20

Exploration and production capital expenditures in 2019 are forecast to be $1.035 billion which has been reduced by $90.0 million from the guidance in the July 31, 2019 MD&A. The Company expects drilling and completions costs of approximately $720.0 million, facilities expenditures (including equipment, pipelines and tie-ins) of $310.0 million as well as land and seismic expenditures of $5.0 million. The capital budget is closely monitored and will continue to be adjusted as required depending on cash flow available.

Acquisitions and Dispositions

2019

On August 13, 2019, the Company acquired assets in the Peace River High area for cash consideration of $175.0 million. The acquisition resulted in an increase in Property, Plant and Equipment ("PP&E") of approximately $180.8 million, an increase in Exploration and Evaluation ("E&E") assets of $8.3 million, and the assumption of $14.1 million in decommissioning liabilities. The assets acquired were an incremental working interest to lands, production, reserves and facilities in which the Company was already a working interest owner.

In connection with the early adoption of the amendment to IFRS 3, the Company applied the optional concentration test to the August 13, 2019 acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

2018

On February 28, 2018, the Company completed the sale of a series of undeveloped assets across all three cash-generating units ("CGUs") for proceeds of approximately $71.2 million before customary adjustments.

On October 17, 2018, the Company acquired assets in the Peace River High area for total cash consideration of $21.2 million for producing properties, land and reserves.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks, in the amount of $1,800.0 million. In May 2019, the Company extended the maturity date of the revolving credit facility to June 2024. With the exception of the change in maturity date, 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, 2018. 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 facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate, banker's acceptance rates or LIBOR (for U.S. borrowings), plus applicable margins.

The Company also has a $950.0 million term loan with a syndicate of banks. In May 2019, the Company extended the maturity date of the term loan to June 2024. With the exception of the change in maturity date, the term loan 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, 2018. The term loan can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate, banker's acceptance rates or LIBOR (for U.S. borrowings), plus 150 basis points. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The covenants for the term loan are the same as

those under the Company's revolving credit facility and the term loan ranks equally with the revolving credit facility.

The Company has a covenant-based, unsecured, operating credit facility with a Canadian bank in the amount of $50.0 million. In May 2019, the Company extended the maturity date of the operating credit facility to June 2021. With the exception of the change in maturity date, 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, 2018. The maturity date 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.

Additionally, the Company has a letter of credit facility payable on demand in the amount of $50.0 million with a Canadian bank. Tourmaline has outstanding letters of credit in the amount of $9.2 million (December 31, 2018 - $9.5 million), which reduce the credit available on this facility.

The Company's aggregate borrowing capacity is $2.85 billion at September 30, 2019. As at, and for the quarter ending, September 30, 2019, the Company is in compliance with all debt covenants.

As at September 30, 2019, the Company had negative adjusted working capital of $151.9 million, after adjusting for the fair value of financial instruments, lease liabilities and unrealized foreign exchange in working capital (deficit) (the unadjusted working capital deficiency was $149.5 million) (December 31, 2018 – $242.8 million and $228.4 million, respectively). As at September 30, 2019, the Company had $947.9 million in term debt outstanding and $814.6 million drawn against the revolving credit facility for total bank debt of $1,762.5 million (net of debt issue costs) (December 31, 2018 - $1,476.1 million). Net debt at September 30, 2019 was $1,914.4 million, excluding the fair value of financial instruments, lease liabilities and unrealized foreign exchange in working capital (deficit) (December 31, 2018 - $1,718.9 million).

For 2019, management intends to continue to diligently monitor and adjust the capital budget based on expected cash flow and as such management believes the Company has sufficient resources to fund its 2019 exploration and development program. Management is dedicated to keeping a strong balance sheet, which has proven to be very important, especially in times of volatile commodity prices.

On July 4, 2019, the Toronto Stock Exchange accepted the notice of the Company's intention to commence a normal course issuer bid ("NCIB"). The NCIB allows the Company to purchase up to 13,602,507 common shares, representing 5% of its common shares outstanding at June 30, 2019, over a period of twelve months commencing on July 8, 2019. 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 nine-months ended September 30, 2019, the Company purchased 0.2 million common shares for cancellation at an average price of $13.41 per share. The Company believes that prudent and systematic purchases of its common shares is an important strategy during periods of depressed share prices and after considering numerous other factors.

During the three and nine months ended September 30, 2019, the Company paid a cash dividend of $0.12 and $0.34 per common share totalling $32.6 million and $92.5 million, respectively, compared to $0.10 and $0.27 per common share totalling $27.1 million and $73.3 million, respectively, for the same periods of the prior year.

SHARES AND STOCK OPTIONS OUTSTANDING

As at November 6, 2019, the Company has 271,187,159 common shares and 21,732,068 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]	$ 1,786	$ 3,575	$ 3,521	$ 4,379	$ 13,261
Firm transportation and processing agreements	481,857	931,374	882,933	3,377,869	5,674,033
Capital commitments [2]	6,257	9,804	9,704	81,523	107,288
Credit facility [3]	–	–	958,679	–	958,679
Term debt [4]	32,901	65,802	1,005,029	–	1,103,732
	$ 522,801	$ 1,010,555	$ 2,859,866	$3,463,771	$ 7,856,993

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

(2) Includes processing commitments and power commitments.

(3) Includes interest expense at an annual rate of 3.42% being the rate applicable to outstanding debt on the credit facility at September 30, 2019.

(4) Includes interest expense at an annual rate of 3.47% being the fixed rate on the term debt at September 30, 2019.

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 5 of the Company's audited consolidated financial statements for the year ended December 31, 2018.

As at September 30, 2019, the Company has entered into certain financial derivative contracts in order to manage commodity price and interest rate 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 (loss) on the consolidated statement of income and comprehensive income. The contracts that the Company has in place at September 30, 2019 are summarized

and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018.

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 September 30, 2019 have been summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018.

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, 2018.

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 July 1, 2019 and ending on September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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

BUSINESS RISKS AND UNCERTAINTIES

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

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

IMPACT OF ENVIRONMENTAL REGULATIONS

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

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

CHANGES IN ACCOUNTING POLICIES

The following standard as issued by the International Accounting Standards Board ("IASB") has been adopted by the Company effective January 1, 2019.

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and replaces the previous leases standard, IAS 17 - *Leases*. The new standard was adopted using the modified retrospective approach and the Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities with less than 12 months of lease term, and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leased assets that have a lease term of 12 months or less and leases of low-value assets defined as $5,000 USD or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of adopting IFRS 16, the Company's accounting policies for leased assets are now:

Leased assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts in effect, or changed, on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the minimum lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The following table outlines the financial impact on the Company's consolidated statements of income and comprehensive income for the nine months ended September 30, 2019, due to the adoption of IFRS 16.

(000s)	**Nine Months Ended September 30, 2019 pre-IFRS 16**	**IFRS 16 impact**	**Nine Months Ended September 30, 2019**
Other income	$ 27,813	$ 29	$ 27,842
Operating expense	263,626	(94)	263,532
G&A expense	41,283	(3,650)	37,633
DD&A expense	639,355	3,671	643,026
Finance expense	45,751	119	45,870
Net income	258,417	(17)	258,400
Cash flow	$ 865,911	$ 3,773	$ 869,684

The following amendment as issued by the IASB has been early adopted, as permitted, by the Company effective July 1, 2019.

IFRS 3 – Business Combinations sets out the principles in accounting for the acquisition of a business. The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business.

The definition of a business under the amendment to IFRS 3 is now that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

NON-GAAP FINANCIAL MEASURES

This MD&A, or documents referred to in this MD&A, make reference to the terms "cash flow", "operating netback", "adjusted working capital" and "net debt" which are not recognized measures under GAAP, and do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms "cash flow", "operating netback", "adjusted working capital" and "net debt", for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-GAAP measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of the Company's performance.

Cash Flow

A summary of the reconciliation of cash flow from operating activities (per the statements of cash flow), to cash flow, is set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2019**	**2018**	**2019**	**2018**
Cash flow from operating activities (per GAAP)	**$ 205,798**	$ 314,191	**$ 887,200**	$ 939,494
Change in non-cash working capital	**18,186**	(26,770)	**(17,516)**	(27,564)
Cash flow	**$ 223,984**	$ 287,421	**$ 869,684**	$ 911,930

Operating Netback

Operating netback is calculated on a per-boe basis and is defined as revenue from commodity sales and realized gains (losses) on risk management activities and financial instruments less royalties, transportation costs and operating expenses, as shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($/boe)	**2019**	**2018**	**2019**	**2018**
Revenue from commodity sales and realized gains (losses) on risk management activities and financial instruments	**$ 16.52**	$ 21.24	**$ 19.70**	$ 21.19
Royalties	**(0.47)**	(0.94)	**(0.77)**	(0.87)
Transportation costs	**(3.84)**	(3.71)	**(3.77)**	(3.48)
Operating expenses	**(3.11)**	(3.44)	**(3.35)**	(3.33)
Operating netback	**$ 9.10**	$ 13.15	**$ 11.81**	$ 13.51

Adjusted Working Capital

A summary of the reconciliation of working capital to adjusted working capital is set forth below:

(000s)	**As at September 30, 2019**	**As at December 31, 2018**
Working capital (deficit)	**$ (149,467)**	$ (228,403)
Fair value of financial instruments – short-term (asset)	**(5,897)**	(13,640)
Lease liabilities – short-term	**1,576**	–
Unrealized foreign exchange in working capital - (asset) liability	**1,904**	(784)
Adjusted working capital (deficit)	**$ (151,884)**	$ (242,827)

Net Debt

A summary of the reconciliation of net debt is set forth below:

(000s)	**As at September 30, 2019**	As at December 31, 2018
Bank debt	**$ (1,762,529)**	$(1,476,099)
Adjusted working capital (deficit)	**(151,884)**	(242,827)
Net debt	**$ (1,914,413)**	$(1,718,926)

SELECTED QUARTERLY INFORMATION

			2019				2018	2017
($000s, unless otherwise noted)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
PRODUCTION								
Natural gas *(mcf)*	**129,027,017**	124,790,550	129,529,098	123,995,544	115,321,116	117,429,708	119,585,930	120,238,014
Oil and NGL (*bbls)*	**5,136,598**	4,731,375	4,820,850	4,778,286	4,164,796	4,172,997	4,236,320	4,184,707
Oil equivalent *(boe)*	**26,641,101**	25,529,800	26,409,060	25,444,210	23,384,982	23,744,615	24,167,308	24,224,376
Natural gas *(mcf/d)*	**1,402,468**	1,371,325	1,439,212	1,347,778	1,253,490	1,290,436	1,328,733	1,306,935
Oil and NGL *(bbls/d)*	**55,833**	51,993	53,565	51,938	45,270	45,857	47,070	45,486
Oil equivalent *(boe/d)*	**289,578**	280,547	293,434	276,568	254,185	260,930	268,526	263,309
FINANCIAL								
Total revenue from commodity sales and realized gains (losses) on risk management activities and financial instruments	**440,089**	443,359	664,301	595,487	496,711	463,845	550,166	527,106
Cash flow from operating activities	**205,798**	298,282	383,120	329,997	314,191	283,155	342,148	299,793
Per diluted share	**0.76**	1.10	1.41	1.21	1.15	1.04	1.26	1.11
Cash flow [(1)]	**223,984**	226,458	419,242	391,532	287,421	272,261	352,248	348,227
Per diluted share	**0.82**	0.83	1.54	1.44	1.06	1.00	1.30	1.29
Net earnings	**15,750**	154,940	87,710	190,895	55,296	25,639	129,588	88,079
Per basic share	**0.06**	0.57	0.32	0.70	0.20	0.09	0.48	0.33
Per diluted share	**0.06**	0.57	0.32	0.70	0.20	0.09	0.48	0.33
Total assets	**11,043,666**	10,836,576	10,924,480	10,732,457	10,429,505	10,186,188	10,212,446	10,181,528
Working capital (deficit)	**(149,467)**	(159,480)	(272,500)	(228,403)	(411,687)	(192,116)	(232,695)	(219,168)
Adjusted working capital (deficit) [(1)]	**(151,884)**	(160,101)	(245,285)	(242,043)	(341,960)	(130,834)	(206,988)	(202,484)
Cash capital expenditures	**384,307**	198,179	384,384	395,194	409,919	191,773	217,551	352,233
Dividends paid	**32,620**	32,646	27,204	27,304	27,103	24,488	21,687	—
Total outstanding shares *(000s)*	**271,827**	272,050	272,050	272,043	272,043	272,084	271,084	271,084
PER UNIT								
Natural *gas ($/mcf)*	**1.89**	2.07	3.59	3.13	2.54	2.25	2.97	2.70
Oil and NGL *($/bbl)*	**38.24**	39.08	41.43	43.40	48.91	47.93	46.08	48.31
Revenue *($/boe)*	**16.52**	17.37	25.15	23.40	21.24	19.53	22.76	21.76
Operating netback *($/boe)* [(1)]	**9.10**	9.60	16.65	15.82	13.15	12.10	15.25	14.80

(1) See Non-GAAP 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 242,325 boe per day in 2017 to 265,044 boe per day in 2018 and 287,839 boe per day in the first nine months of 2019. The production growth can be attributed primarily to the Company's exploration and development activities, and from acquisitions of producing properties.

The Company's cash flow was $1,205.8 million in 2017, $1,303.5 million in 2018 and forecast 2019 cash flow is $1,354.2 million. The forecast cash flow in 2019 reflects the increase in forecast annual average production over 2018 which is partially offset by lower commodity prices in 2019. 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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(000s) (unaudited)	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Accounts receivable	**$ 192,185**	$ 263,073
Prepaid expenses and deposits	**14,919**	15,565
Fair value of financial instruments *(note 3)*	**12,677**	35,287
Total current assets	**219,781**	313,925
Long-term asset	**5,005**	5,565
Fair value of financial instruments *(note 3)*	**5,259**	9,551
Exploration and evaluation assets *(note 4)*	**576,395**	595,667
Property, plant and equipment *(note 5)*	**10,225,424**	9,807,749
Right-of-use asset (*note 6*)	**11,802**	–
Total Assets	**$11,043,666**	$ 10,732,457
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 360,892**	$ 520,681
Lease liabilities (*note 6*)	**1,576**	–
Fair value of financial instruments *(note 3)*	**6,780**	21,647
Total current liabilities	**369,248**	542,328
Bank debt *(note 8)*	**1,762,529**	1,476,099
Lease liabilities (*note 6)*	**10,302**	–
Fair value of financial instruments *(note 3)*	**13,479**	15,911
Decommissioning obligations *(note 7)*	**361,089**	302,750
Deferred taxes	**773,423**	823,989
Shareholders' equity:		
Share capital *(note 10)*	**5,905,008**	5,909,664
Non-controlling interest *(note 9)*	**27,940**	28,068
Contributed surplus	**274,125**	253,055
Retained earnings	**1,546,523**	1,380,593
Total shareholders' equity	**7,753,596**	7,571,380
Total Liabilities and Shareholders' Equity	**$11,043,666**	$ 10,732,457

Commitments (note 13).

Subsequent events (notes 3 and 15).

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s) except per-share amounts (unaudited)	**2019**	**2018**	**2019**	**2018**
Revenue:				
Commodity sales from production (*note 14*)	**$ 340,639**	$ 407,181	**$ 1,258,018**	$ 1,299,767
Realized gain on risk management activities (*note 14*)	**78,688**	107,164	**258,734**	251,284
Marketing revenue (*note 14*)	**9,533**	7,909	**22,288**	19,107
Royalties	**(12,654)**	(21,880)	**(60,471)**	(61,989)
Other income	**11,191**	8,768	**27,842**	26,532
Realized gain (loss) on financial instruments	**20,762**	(17,634)	**30,997**	(40,329)
Unrealized gain (loss) on financial instruments *(note 3)*	**14,117**	(7,572)	**(9,603)**	(62,943)
Total revenue	**462,276**	483,936	**1,527,805**	1,431,429
Expenses:				
Operating	**82,904**	80,370	**263,532**	237,202
Transportation	**102,173**	86,818	**296,397**	248,125
Marketing purchases	**8,555**	7,614	**20,601**	18,344
General and administration	**12,877**	12,718	**37,633**	36,574
Share-based payments *(note 12)*	**3,420**	4,820	**10,773**	13,334
Depletion, depreciation and amortization	**212,177**	192,593	**643,026**	586,629
Realized foreign exchange loss	**838**	1,155	**6,427**	1,275
Unrealized foreign exchange (gain) loss	**(489)**	595	**1,904**	(189)
(Gain) on divestitures	–	–	**(6,064)**	(54,989)
Total expenses	**422,455**	386,683	**1,274,229**	1,086,305
Income from operations	**39,821**	97,253	**253,576**	345,124
Finance expenses	**17,395**	15,493	**45,870**	43,288
Income before taxes	**22,426**	81,760	**207,706**	301,836
Deferred tax expense (recovery)	**6,735**	26,190	**(50,566)**	90,621
Net income and comprehensive income before non-controlling interest	**15,691**	55,570	**258,272**	211,215
Net income and comprehensive income attributable to:				
Shareholders of the Company	**15,750**	55,296	**258,400**	210,523
Non-controlling interest *(note 9)*	**(59)**	274	**(128)**	692
	$ 15,691	$ 55,570	**$ 258,272**	$ 211,215
Net income per share attributable to common shareholders *(note 11)*				
Basic	**$ 0.06**	$ 0.20	**$ 0.95**	$ 0.78
Diluted	**$ 0.06**	$ 0.20	**$ 0.95**	$ 0.78

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(000s) (unaudited)	**Share Capital**	**Contributed Surplus**	**Retained Earnings**	**Non-Controlling Interest**	**Total Equity**
Balance at December 31, 2018	$ 5,909,664	$ 253,055	$1,380,593	$ 28,068	$ 7,571,380
Share-based payments	–	10,773	–	–	10,773
Capitalized share-based payments	–	8,484	–	–	8,484
Options exercised (*notes 10 and 12*)	188	(40)	–	–	148
Purchase of common shares (*note 10*)	(4,844)	1,853	–	–	(2,991)
Dividends paid (*note 10*)	–	–	(92,470)	–	(92,470)
Income attributable to common shareholders	–	–	258,400	–	258,400
(Loss) attributable to non-controlling interest	–	–	–	(128)	(128)
Balance at September 30, 2019	**$ 5,905,008**	**$ 274,125**	**$1,546,523**	**$ 27,940**	**$ 7,753,596**

(000s) (unaudited)	**Share Capital**	**Contributed Surplus**	**Retained Earnings**	**Non-Controlling Interest**	**Total Equity**
Balance at December 31, 2017	$ 5,886,709	$ 221,477	$1,079,755	$ 27,816	$ 7,215,757
Issue of common shares (*note 10*)	23,840	–	–	–	23,840
Share issue costs, net of tax	(885)	–	–	–	(885)
Share-based payments	–	13,334	–	–	13,334
Capitalized share-based payments	–	9,760	–	–	9,760
Dividends paid (*note 10*)	–	–	(73,276)	–	(73,276)
Income attributable to common shareholders	–	–	210,523	–	210,523
Income attributable to non-controlling interest	–	–	–	692	692
Balance at September 30, 2018	$ 5,909,664	$ 244,571	$1,217,002	$ 28,508	$ 7,399,745

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(000s) (unaudited)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash provided by (used in):				
Operations:				
Net income	**$ 15,750**	$ 55,296	**$ 258,400**	$ 210,523
Items not involving cash:				
Depletion, depreciation and amortization	**212,177**	192,593	**643,026**	586,629
Accretion (*note 7*)	**1,553**	1,425	**4,300**	4,132
Lease interest expense (*note 6*)	**58**	–	**177**	–
Share-based payments (*note 12*)	**3,420**	4,820	**10,773**	13,334
Deferred tax expense (recovery)	**6,735**	26,190	**(50,566)**	90,621
Unrealized (gain) loss on financial instruments (*note 3*)	**(14,117)**	7,572	**9,603**	62,943
(Gain) on divestitures	–	–	**(6,064)**	(54,989)
Amortization on long-term asset	**186**	186	**560**	556
Non-controlling interest (*note 9*)	**(59)**	274	**(128)**	692
Unrealized foreign exchange (gain) loss	**(489)**	595	**1,904**	(189)
Decommissioning expenditures (*note 7*)	**(1,230)**	(1,530)	**(2,301)**	(2,322)
Changes in non-cash operating working capital	**(18,186)**	26,770	**17,516**	27,564
Total cash flow from operating activities	**205,798**	314,191	**887,200**	939,494
Financing:				
Issue of common shares	–	–	**148**	30,000
Share issue costs	–	–	–	(1,213)
Purchase of common shares (*note 10*)	**(2,991)**	–	**(2,991)**	–
Lease payments (*note 6*)	**(1,295)**	–	**(3,772)**	–
Dividends paid (*note 10*)	**(32,620)**	(27,103)	**(92,470)**	(73,276)
Increase (decrease) in bank debt	**203,055**	(60,930)	**286,430**	(187,863)
Total cash flow from (used in) financing activities	**166,149**	(88,033)	**187,345**	(232,352)
Investing:				
Exploration and evaluation (*note 4*)	**(9,709)**	(24,468)	**(33,779)**	(64,225)
Property, plant and equipment (*note 5*)	**(200,159)**	(385,333)	**(759,894)**	(824,442)
Property acquisitions	**(174,439)**	(118)	**(175,035)**	(1,810)
Proceeds from divestitures	–	–	**1,838**	71,234
Changes in non-cash investing working capital	**12,360**	183,761	**(107,675)**	112,101
Total cash flow used in investing activities	**(371,947)**	(226,158)	**(1,074,545)**	(707,142)
Changes in cash	**–**	–	**–**	–
Cash, beginning of period	**–**	–	**–**	–
Cash, end of period	**$ –**	$ –	**$ –**	$ –

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 SEPTEMBER 30, 2019 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(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 November 6, 2019.

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

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, 2018.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars and include the accounts of Tourmaline Oil Corp., and its 90.6% owned subsidiary Exshaw Oil Corp. (note 9), which both have a functional currency of Canadian dollars. Tourmaline Oil Corp. also includes its 100% owned subsidiary Tourmaline Oil Marketing Corp., which has a functional currency of US dollars.

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, 2018, except as noted below.

Changes in Accounting Policies

The following standard as issued by the International Accounting Standards Board ("IASB") has been adopted by the Company effective January 1, 2019.

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and replaces the previous leases standard, IAS 17 Leases. The new standard was adopted using the modified retrospective approach and the Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for lease with less than 12 months of lease term, and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leased assets that have a lease term of 12 months or less and leases of low-value assets defined as less than $5,000 USD or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of adopting IFRS 16 the Company's accounting policies for Leased assets are now:

Leased assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to new and existing contracts as at or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the minimum lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The following amendment as issued by the IASB has been early adopted, as permitted, by the Company effective July 1, 2019.

IFRS 3 – Business Combinations sets out the principles in accounting for the acquisition of a business. The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business.

The definition of a business under the amendment to IFRS 3 is now that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

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 accounts receivable, 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 Company's financial instruments have been assessed on the fair value hierarchy described above and classified as Level 2.

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 5 of the Company's consolidated financial statements for the year ended December 31, 2018.

As at September 30, 2019, the Company has entered into certain financial derivative contracts in order to manage commodity price, foreign exchange and interest rate 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 September 30, 2019 (1):

		2019	2020	2021	2022	Fair Value *(000s)*
Gas						
NYMEX swaps	*mmbtu/d*	30,326	–	–	–	$ 1,573
	USD$/mmbtu	$ 2.85				
PGE swaps	*mmbtu/d*	10,000	10,000	–	–	$ 4,382
	USD$/mmbtu	$ 3.53	$ 3.56			
Basis differentials – other (2)	*mmbtu/d*	23,370	37,486	37,500	37,500	$ (7,167)
	USD$/mmbtu	$ 0.02	$ 0.29	$ 0.29	$ 0.29	
Call options (writer) (3)	*mmbtu/d*	90,000	45,542	–	–	$ (1,065)
	USD$/mmbtu	$ 3.94	$ 3.45			
Oil						
Financial swaps	*bbls/d*	6,000	2,000	1,000	–	$ 4,704
	USD$/bbl	$ 54.91	$ 54.40	$ 52.41		
Financial collars	*bbls/d*	500	1,000	–	–	$ 2,551
	USD$/bbl	$ 55.00 - 65.20	$ 52.50 – 65.48			
Condensate differentials	*bbls/d*	1,000	500	–	–	$ (305)
	USD$/bbl	$ (7.48)	$ (6.00)			
Total fair value						$ 4,673

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

(2) These are basis differentials for non-AECO markets. A portion of these financial basis deals have a cap on NYMEX, 4.0 mmcf/d at USD $4.00/mcf for 2019-2020.

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

The Company has not entered into any financial contracts subsequent to September 30, 2019.

The Company has entered into multiple interest rate swaps over the next six years at an annual average interest rate as detailed below:

	2019	2020	2021	2022	2023	2024	Fair Value
Effective interest rate [1]	1.86%	1.79%	1.86%	1.93%	2.05%	2.21%	
Notional amount hedged (000s)	$ 800,602	$ 715,159	$ 727,974	$ 655,482	$ 502,723	$ 175,000	$ (5,511)

(1) Canadian dealer offer rate, excluding stamping and stand-by fees.

The Company has the following financial foreign currency derivative contracts in place at September 30, 2019:

		2019	2020	Fair Value *(000s)*
Costless collar	*$CAD(000s) Monthly*	$ 14,000	$ 4,000	$ (412)
	$CAD/$USD	$ 1.271 – $ 1.341	$ 1.303 – $ 1.361	
Average rate forward	*$CAD(000s) Monthly*	$ 16,000	$ 4,000	$ (1,073)
	$CAD/$USD	$ 1.302	$ 1.325	
Total fair value				$ (1,485)

The following table provides a summary of the unrealized gains (losses) on financial instruments recorded in the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2019**	**2018**	**2019**	**2018**
Unrealized gain (loss) on financial instruments – commodity contracts	**$ 14,661**	$ (20,681)	**$ (9,104)**	$ (71,373)
Unrealized gain (loss) on financial instruments – interest rate swaps	**1,377**	7,558	**(17,247)**	9,733
Unrealized gain (loss) on financial instruments – foreign currency	**(1,921)**	5,551	**16,748**	(1,303)
Total unrealized gain (loss) on financial instruments	**$ 14,117**	$ (7,572)	**$ (9,603)**	$ (62,943)

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 interim condensed consolidated financial statements.

The Company has the following physical commodity contracts in place at September 30, 2019 [1][6]:

		2019	2020	2021	2022	2023
Gas						
Fixed price [2]	*mcf/d*	294,813	106,207	10,000	10,000	–
	CAD$/mcf	$ 1.74	$ 2.20	$ 4.14	$ 4.14	
Basis differentials - AECO [3]	*mmbtu/d*	187,500	187,500	94,062	82,500	59,164
	USD$/mmbtu	$ (0.75)	$ (0.75)	$ (0.68)	$ (0.66)	$ (0.74)
Basis differentials - Dawn	*mmbtu/d*	50,000	45,000	6,164	–	–
	USD$/mmbtu	$ (0.10)	$ (0.12)	$ (0.15)		
Basis differentials – Stn 2	*mcf/d*	39,478	37,812	29,478	20,000	16,658
	CAD$/mcf	$ 0.80	$ 0.23	$ 0.08	$ 0.14	$ 0.14
Basis differentials – Other [4]	*mcf/d*	16,685	21,243	30,000	30,000	27,500
	CAD$/mcf	$ 0.15	$ 0.30	$ 0.12	$ 0.12	$ 0.09
Oil						
Fixed differential – Oil [5]	*bbls/d*	2,052	–	–	–	–
	USD$/bbl	$ (12.75)				
Basis differentials - Condensate	*bbls/d*	4,104	3,611	–	–	–
	USD$/bbl	$ (6.48)	$ (6.04)			

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

(2) *These include AECO, Dawn, PGE, Chicago and Ventura.*

(3) *Tourmaline also has 41 mmcf/d of NYMEX-AECO basis differentials at $(0.71) in 2024. A portion of these basis deals have a cap on NYMEX, 133 mmcf/d at USD$4.12/mcf from 2019-2020 and 49.8 mmcf/d at USD$4.46/mcf from 2021-2024.*

(4) *These are basis differentials for non-AECO markets.*

(5) *Tourmaline sells physical crude at a fixed differential to NYMEX WTI.*

(6) *Tourmaline also has entered into deals to sell 50,000 mmbtu/d priced off Chicago GDD less transportation costs and 20,000 mmbtu/d priced off Ventura GDD less transportation costs that extend into 2020; 5,000 mmbtu/d priced off Chicago GDD less transportation costs that extends to 2023; 20,000 mmbtu/d that starts in 2020. Tourmaline reserves the right to periodically fix or lock in the basis in each market.*

The Company has entered into the following physical contracts subsequent to September 30, 2019:

Type of Contract	Quantity	Time Period	Contract Price
Fixed Price – Gas	10,000 GJ/d	November 2019 – March 2020	CAD$2.15/GJ
Fixed Price – Gas	5,000 GJ/d	November 2019	CAD$2.12/GJ
Fixed Price – Gas	10,000 GJ/d	April 2020 – October 2020	CAD$1.60/GJ
Fixed Price – Gas	5,000 mmbtu/d	January 2020 – March 2020	USD$3.50/mmbtu

4. EXPLORATION AND EVALUATION ASSETS

(000s)	
As at December 31, 2018	$ 595,667
Capital expenditures	33,779
Transfers to property, plant and equipment *(note 5)*	(19,405)
Acquisitions	13,309
Divestitures	(2,160)
Expired mineral leases	(44,795)
As at September 30, 2019	**$ 576,395**

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proven and probable reserves, as well as undeveloped land. Additions represent the Company's share of costs on E&E assets during the period.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2019 and December 31, 2018, the Company determined that no indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

5. PROPERTY, PLANT AND EQUIPMENT

Cost

(000s)	
As at December 31, 2018	$ 13,842,667
Capital expenditures	768,379
Transfers from exploration and evaluation *(note 4)*	19,405
Change in decommissioning liabilities *(note 7)*	41,957
Acquisitions	183,365
Divestitures	(871)
As at September 30, 2019	**$ 14,854,902**

Accumulated Depletion, Depreciation and Amortization

(000s)	
As at December 31, 2018	$ 4,034,918
Depletion, depreciation and amortization	594,560
As at September 30, 2019	**$ 4,629,478**

Net Book Value

(000s)	
As at December 31, 2018	$ 9,807,749
As at September 30, 2019	**$ 10,225,424**

Future development costs of $7,874.5 million were included in the depletion calculation at September 30, 2019 (December 31, 2018 – $7,622.0 million).

Capitalization of G&A and Share-Based Payments

A total of $22.3 million in G&A expenditures have been capitalized and included in PP&E for the nine months ended September 30, 2019 (December 31, 2018 – $27.3 million). Also included in PP&E are non-cash year-to-date share-based payments of $8.5 million (December 31, 2018 - $13.3 million). Borrowing costs of $3.0 million on specified projects have been capitalized and included in PP&E at September 30, 2019 (December 31, 2018 – $2.8 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment. At September 30, 2019, the Company determined that there were no indicators of impairment on any of the Company's CGUs; therefore, impairment tests were not performed.

For the year ended December 31, 2018, the Company identified indicators of impairment on all of its CGUs due to the decline in current and forward commodity prices and performed impairment tests accordingly. The Company determined that there was no impairment to PP&E at December 31, 2018.

Acquisitions and Dispositions of Oil and Natural Gas Properties

On August 13, 2019, the Company acquired assets in the Peace River High area for cash consideration of $175.0 million. The acquisition resulted in an increase in Property Plant and Equipment ("PP&E") of approximately $180.8 million, an increase in Exploration and Evaluation ("E&E") assets of $8.3 million, and the assumption of $14.1 million in decommissioning liabilities. The assets acquired were an incremental working interest to lands, production, reserves and facilities in which the Company was already a working interest owner.

In connection with the early adoption of the amendment to IFRS 3, the Company applied the optional concentration test to the August 13, 2019 acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

In total for the nine months ended September 30, 2019, the Company completed property acquisitions for cash of $175.0 million (December 31, 2018 - $25.0 million) and, a further $7.3 million in acquisitions involving non-cash consideration (December 31, 2018 - $31.7 million). The Company also assumed $14.4 million in decommissioning liabilities as a result of these acquisitions (December 31, 2018 - $1.6 million).

The Company also completed property dispositions, for the nine months ended September 30, 2019, for total cash consideration of $1.8 million (December 31, 2018 - $72.2 million).

6. LEASES

On transition to IFRS 16, the Company recognized additional right-of-use assets and lease liabilities. The impact of the transition and activity in the period is summarized below.

Right-of-use assets

(000s)	
As at January 1, 2019	$ 12,028
Additions	3,445
Depreciation	(3,671)
As at September 30, 2019	**$ 11,802**

Lease liabilities

(000s)	
As at January 1, 2019	$ 12,028
Additions	3,445
Lease interest expense	177
Lease payments	(3,772)
As at September 30, 2019	**$ 11,878**

On transition, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019 of 3.75% 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 undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $563.4 million (December 31, 2018 – $512.5 million), with some abandonments expected to commence in 2034. A risk-free rate of 1.90% (December 31, 2018 – 2.18%) and an inflation rate of 2.0% (December 31, 2018 – 2.0%) were used to calculate the decommissioning obligations. The decommissioning obligations at September 30, 2019 have been adjusted by approximately $24.6 million (December 31, 2018 – $28.0 million) reflecting a decrease in the risk-free rate during the period.

(000s)	**As at September 30, 2019**	**As at December 31, 2018**
Balance, beginning of period	**$ 302,750**	$ 252,222
Obligation incurred	**17,380**	19,004
Obligation incurred on property acquisitions	**14,384**	1,564
Obligation divested	**(1)**	(802)
Obligation settled	**(2,301)**	(2,820)
Accretion expense	**4,300**	5,613
Change in future estimated cash outlays	**24,577**	27,969
Balance, end of period	**$ 361,089**	$ 302,750

8. BANK DEBT

(000s)	**As at September 30, 2019**	**As at December 31, 2018**
Revolving credit facility	**$ 818,295**	$ 532,855
Term debt	**949,097**	949,027
Debt issue costs	**(4,863)**	(5,783)
Bank debt	**$ 1,762,529**	$ 1,476,099

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks, in the amount of $1,800.0 million. In May 2019, the Company extended the maturity date of the revolving credit facility to June 2024. With the exception of the change in maturity date, 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, 2018. 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 facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank’s prime lending rate, banker’s acceptance rates or LIBOR (for U.S. borrowings), plus applicable margins.

The Company also has a $950.0 million term loan with a syndicate of banks. In May 2019, the Company extended the maturity date of the term loan to June 2024. With the exception of the change in maturity date, the term loan 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, 2018. The term loan can be drawn in either Canadian or U.S. funds and bears interest at the agent bank’s prime lending rate, banker’s acceptance rates or LIBOR (for U.S. borrowings), plus 150 basis points. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The covenants for the term loan are the same as those under the Company’s revolving credit facility and the term loan ranks equally with the revolving credit facility.

The Company has a covenant-based, unsecured, operating credit facility with a Canadian bank in the amount of $50.0 million. In May 2019, the Company extended the maturity date to June 2021. With the exception of the change in maturity date, 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, 2018. The maturity date 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.

Additionally, the Company has a letter of credit facility payable on demand in the amount of $50.0 million with a Canadian bank. Tourmaline has outstanding letters of credit in the amount of $9.2 million (December 31, 2018 - $9.5 million), which reduce the credit available on this facility.

The Company’s aggregate borrowing capacity is $2.85 billion at September 30, 2019. As at, and for the quarter ending September 30, 2019, the Company is in compliance with all debt covenants.

As at September 30, 2019, the Company had $947.9 million in term debt outstanding and $814.6 million drawn against the revolving credit facility for total bank debt of $1,762.5 million (net of debt issue costs) (December 31, 2018 - $1,476.1 million). The effective interest rate for the nine months ended September 30, 2019 was 3.25% (nine months ended September 30, 2018 – 2.93%).

9. NON-CONTROLLING INTEREST

The Company owns 90.6 percent of Exshaw Oil Corp., a private company engaged in oil and gas exploration in Canada. A reconciliation of the non-controlling interest is provided below:

(000s)	**As at September 30, 2019**	As at December 31, 2018
Balance, beginning of period	**$ 28,068**	$ 27,816
Share of subsidiary’s net income (loss) for the period	**(128)**	252
Balance, end of period	**$ 27,940**	$ 28,068

10. 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

	As at September 30, 2019		As at December 31, 2018	
(000s) except share amounts	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Balance, beginning of period	**272,042,659**	**$ 5,909,664**	271,083,946	$ 5,886,709
For cash on public offering of flow-through common shares [(1)]	–	–	1,000,000	23,840
Issued on corporate and property acquisitions	–	–	–	–
Purchase of common shares	**(223,000)**	**(4,844)**	–	–
For cash on exercise of stock options	**7,500**	**148**	–	–
Contributed surplus on exercise of stock options	–	**40**	–	–
Expired related to corporate acquisitions [(2)]	–	–	(41,287)	–
Share issue costs	–	–	–	(1,213)
Tax effect of share issue costs	–	–	–	328
Balance, end of period	**271,827,159**	**$ 5,905,008**	272,042,659	$ 5,909,664

(1) On May 15, 2018, the Company issued 1.0 million flow-through shares at a price of $30.00 per share for total gross proceeds of $30.0 million. The implied premium on the flow-through common shares was determined to be $6.2 million or $6.16 per share. As at December 31, 2018, the Company had spent the full committed amount. The expenditures were renounced to investors in January 2019 with an effective renunciation date of December 31, 2018.

(2) On August 31, 2018, the Company cancelled 41,287 common shares that related to prior acquisitions which had reached their sunset clause expiration date.

Normal course issuer bid

On July 4, 2019, the Toronto Stock Exchange accepted the notice of the Company's intention to commence a normal course issuer bid ("NCIB"). The NCIB allows the Company to purchase up to 13,602,507 common shares, representing 5% of its common shares outstanding at June 30, 2019, over a period of twelve months commencing on July 8, 2019. 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 nine-months ended September 30, 2019, the Company purchased 0.2 million shares for cancellation at an average price of $13.41 per common share for a total of $3.0 million. Contributed surplus was increased by $1.9 million, representing the excess of the average carrying value of the common shares over their purchase price.

Dividends

During the three and nine months ended September 30, 2019, the Company paid cash dividends of $0.12 and $0.34 per common share totalling $32.6 million and $92.5 million, respectively, compared to $0.10 and $0.27 per common share totalling $27.1 million and $73.3 million, respectively, for the same periods of the prior year.

11. EARNINGS PER SHARE

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

	Three Months Ended September 30		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income and comprehensive income attributable to shareholders of the Company for the period *(000s)*	**$ 15,750**	$ 55,296	**$ 258,400**	$ 210,523
Weighted average number of common shares – basic	**271,928,811**	272,070,034	**272,006,958**	271,588,415
Earnings per share – basic	**$ 0.06**	$ 0.20	**$ 0.95**	$ 0.78

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

	Three Months Ended September 30		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income and comprehensive income attributable to shareholders of the Company for the period *(000s)*	**$ 15,750**	$ 55,296	**$ 258,400**	$ 210,523
Weighted average number of common shares – diluted	**271,928,861**	272,072,051	**272,055,634**	271,588,415
Earnings per share – fully diluted	**$ 0.06**	$ 0.20	**$ 0.95**	$ 0.78

There were 21,983,234 and 18,756,334 options excluded from the weighted-average share calculations for the three-and-nine-month periods ended September 30, 2019 because they were anti-dilutive (three and nine months ended September 30, 2018 – 22,527,883 and 22,594,383 options were anti-dilutive).

12. SHARE-BASED PAYMENTS

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 23,105,308 shares of common stock, which represents 8.5% 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.

			Nine Months Ended September 30,	
		2019		**2018**
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Stock options outstanding, beginning of period	**20,452,467**	**$ 32.27**	20,948,382	$ 36.13
Granted	**3,720,650**	**13.41**	4,164,100	22.09
Exercised	**(7,500)**	**19.74**	–	–
Expired	**(1,862,500)**	**52.62**	(2,082,333)	40.19
Forfeited	**(319,883)**	**30.93**	(435,766)	38.25
Stock options outstanding, end of period	**21,983,234**	**$ 27.37**	22,594,383	$ 35.33

The average trading price of the Company's common shares was $17.70 during the nine months ended September 30, 2019 (nine months ended September 30, 2018 – $22.26).

The following table summarizes stock options outstanding and exercisable at September 30, 2019:

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
$12.60 - $22.04	4,206,150	6.68	$ 14.18	141,336	$ 20.52
$22.05 - $26.37	4,304,850	5.70	22.64	1,621,168	22.92
$26.38 - $26.63	5,402,234	2.96	26.40	3,722,350	26.39
$26.64 - $36.30	3,947,500	3.54	33.15	2,891,832	33.14
$36.31 - $46.43	4,122,500	0.46	41.53	4,099,168	41.55
	21,983,234	3.84	$ 27.37	12,475,854	$ 32.42

The fair value of options granted during the nine-month period ended September 30, 2019 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	September 30,	
	2019	**2018**
Fair value of options granted (weighted average)	**$ 3.10**	$ 6.08
Risk-free interest rate	**1.2%**	2.1%
Estimated hold period prior to exercise	**5 years**	5 years
Expected volatility	**36%**	33%
Forfeiture rate	**1.8%**	1.8%
Dividend per share	**$ 0.48**	$ 0.37

13. 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)]	$ 1,786	$ 3,575	$ 3,521	$ 4,379	$ 13,261
Firm transportation and processing agreements	481,857	931,374	882,933	3,377,869	5,674,033
Capital commitments [(2)]	6,257	9,804	9,704	81,523	107,288
Credit facility [(3)]	–	–	958,679	–	958,679
Term debt [(4)]	32,901	65,802	1,005,029	–	1,103,732
	$ 522,801	$ 1,010,555	$ 2,859,866	$3,463,771	$ 7,856,993

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

(2) Includes processing commitments and power commitments.

(3) Includes interest expense at an annual rate of 3.42% being the rate applicable to outstanding debt on the credit facility at September 30, 2019.

(4) Includes interest expense at an annual rate of 3.47% being the fixed rate on the term debt at September 30, 2019.

14. 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 six 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2019**	**2018**	**2019**	**2018**
Natural gas				
Sales from production	**$ 158,647**	$ 185,678	**$ 703,724**	$ 657,259
Realized gain on risk management activities	**77,842**	105,685	**255,733**	245,504
	236,489	291,363	**959,457**	902,763
Oil				
Sales from production	**43,594**	49,834	**126,178**	142,414
Realized gain on risk management activities	**846**	1,053	**3,001**	5,310
	44,440	50,887	**129,179**	147,724
Condensate				
Sales from production	**101,162**	109,658	**303,971**	328,237
Realized gain on risk management activities	–	426	–	470
	101,162	110,084	**303,971**	328,707
NGL				
Sales from production	**37,236**	62,011	**124,145**	171,857
Marketing revenue (1)	**9,533**	7,909	**22,288**	19,107
Total				
Commodity sales from production	**340,639**	407,181	**1,258,018**	1,299,767
Realized gain on risk management activities	**78,688**	107,164	**258,734**	251,284
Marketing revenue	**9,533**	7,909	**22,288**	19,107
Revenue from contracts with customers	**$ 428,860**	$ 522,254	**$ 1,539,040**	$ 1,570,158

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the three and nine months ended September 30, 2019, the Company had marketing purchases from third parties of $8.6 million and $20.6 million, respectively (three and nine months ended September 30, 2018 - $7.6 million and $18.3 million).

15. SUBSEQUENT EVENTS

On October 10, 2019, Tourmaline announced the formation of Topaz Energy Corp. ("Topaz"), a new private royalty and infrastructure energy company. Topaz will be capitalized initially with a $150.0 to $200.0 million third-party equity private placement, with Tourmaline retaining a 75% to 81% equity ownership interest. The Topaz equity private placement is expected to close on November 14, 2019.