MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2023 and December 31, 2022

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline Oil Corp.'s ("Tourmaline" or the "Company") consolidated financial statements and related notes for the years ended December 31, 2023 and December 31, 2022. These consolidated financial statements, the MD&A and additional information relating to Tourmaline can be found on SEDAR+ at www.sedarplus.ca or on Tourmaline's website at www.tourmalineoil.com. This MD&A is dated March 6, 2024.

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

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

This MD&A contains certain specified financial measures consisting of non-GAAP financial measures, non-GAAP financial ratios and capital management measures. See "Non-GAAP and Other Financial Measures" for information regarding the following non-GAAP financial measures, non-GAAP financial ratios and capital management measures used in this MD&A: "cash flow", "capital expenditures", "operating netback", "operating netback per boe", "adjusted working capital" and "net debt". Since these specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly defined, qualified and, where required, reconciled with their nearest GAAP measure. See "Non-GAAP and Other Financial Measures" for further information on the definition, calculation and reconciliation of these measures.

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

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues and cash flow from, crude oil, condensate, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, condensate, NGL and natural gas properties; crude oil, condensate, NGL and natural gas production levels and product mix and guidance; the payment of any dividends (regular or special) and the timing and amount thereof; the shareholder return plans and expectation for potential share buybacks; Tourmaline's future operating and financial results; capital investment programs; supply and demand for crude oil, condensate, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; future land expiries; dispositions and joint venture arrangements; amount of operating, transportation and general and administrative expenses; treatment under governmental regulatory regimes and tax and environmental laws and regulations; and estimated tax pool balances. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including the impact of general economic conditions; volatility and uncertainty in market prices for crude oil, condensate, NGL and natural gas; industry conditions; currency and interest rate fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil, condensate, NGL and natural gas operations; environmental, political, geo-political, social and regulatory risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management and skilled labour; its ability to maintain its investment grade credit rating; changes in income tax and environmental laws and regulations and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, any of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; the receipt of applicable regulatory or third-party approvals; risks of wars or other hostilities or geopolitical events, civil insurrection and pandemics; risks relating to indigenous land claims and duty to consult; climate change risks; severe weather (including wildfires); inflation; supply chain risks; data breaches and cyber attacks; risks relating to the use of artificial intelligence; changes in legislation, including but not limited to tax laws, royalties and environmental regulations (including greenhouse gas emission reduction requirements and other decarbonization or social policies); general economic and business conditions and markets; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available on SEDAR+ at www.sedarplus.ca and under "Business Risks and Uncertainties" in this MD&A.

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

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

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

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

OPERATING ENVIRONMENT

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

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the above noted factors, the Company is unable, at this time, to predict its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

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

CLIMATE CHANGE AND ENVIRONMENTAL REGULATION

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

Regulatory Update

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

If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. The Company continues to monitor the evolving ESG regulations and its potential impact on the Company.

Sustainability Reporting

The Company publishes an annual Sustainability Report containing comprehensive information relating to ESG performance which can be found on the Company's website at https://sustainability.tourmalineoil.com/.

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

SIGNIFICANT ACQUISITION ACTIVITY

The following table summarizes the significant acquisition activity of the Company for the years ended December 31, 2023 and 2022:

Acquisition	Type	Date	CGU	Purchase Price (1) ($ MMs)	Production (2) (boe/d)
Aitken Creek	Infrastructure	April 12, 2022	BC Montney	$ 235.3	N/A
Rising Star	Corporate	August 10, 2022	Spirit River	$ 191.1	5,700
Bonavista	Corporate	November 17, 2023	Deep Basin	$ 1,340.2	60,000

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

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

(3) Refer to the "Capital Expenditures" section of this MD&A and Note 6 of the Company's consolidated financial statements for further details about these transactions.

PRODUCTION

	Three Months Ended December 31,			Years Ended December 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
Natural gas *(mcf/d)*	**2,543,185**	2,376,463	7%	**2,409,349**	2,330,234	3%
Oil *(bbl/d)*	**13,214**	11,001	20%	**11,907**	10,863	10%
Condensate (*bbl/d*)	**34,829**	32,548	7%	**33,009**	32,060	3%
NGL *(bbl/d)*	**85,050**	71,964	18%	**73,892**	69,537	6%
Oil equivalent *(boe/d)*	**556,957**	511,590	9%	**520,366**	500,832	4%
Production in (sold from) storage (boe/d)	**(2,732)**	(3,968)	(31)%	**1,192**	(442)	370%
Total produced volumes (boe/d)	**554,225**	507,622	9%	**521,558**	500,390	4%
Natural gas %	**76%**	77%		**77%**	78%	

Production for the three months ended December 31, 2023, increased 9% up to an average of 556,957 boe/d compared to 511,590 boe/d for the same quarter of 2022. For the year ended December 31, 2023, average production increased 4% from 500,832 boe/d in 2022 to 520,366 boe/d in 2023.

The production increase for the three and twelve months ended December 31, 2023, is a result of the Company's successful exploration and production program and from corporate and property acquisitions completed in 2022 and 2023, including the acquisition of Bonavista Energy Corporation ("Bonavista"), which account for approximately 64% and 47% of the increase in production for the three and twelve month periods, respectively. For the twelve months ended December 31, 2023, the increase was partially offset by a force majeure event on the Pembina Pipeline Corporation's Northern Line in Northeast BC which reduced NGL volumes in the first quarter of 2023 as well as the production disruptions related to the Alberta and BC wildfires in the second quarter of 2023.

Included in the average production volumes discussed above, for the fourth quarter of 2023, was 2,732 boe/d of natural gas which was withdrawn from storage facilities during the quarter. Average produced volumes for the fourth quarter of 2023 were 554,225 boe/d. For the fourth quarter of 2022, 3,968 boe/d of natural gas was withdrawn from storage facilities resulting in average produced volumes of 507,622 boe/d.

The Company has storage capacity at both Dawn and PG&E Citygate. The storage capacity allows for the opportunity to inject in periods of lower commodity prices (typically summer months) and subsequently withdraw in periods of higher prices (typically winter months). The Company has total storage capacity of 6.0 bcf.

Full-year average production guidance for 2024 is now expected to be in the range of 580,000-590,000 boe/d, down from 600,000 boe/d disclosed in the Company's November 1, 2023 news release. The reduction in volume is consistent with the decrease in 2024 forecast capital expenditures.

REVENUE, PREMIUMS (LOSSES) AND REALIZED GAINS (LOSSES)

	Three Months Ended December 31,			Years Ended December 31,		
(000s)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Natural gas						
Sales from production	**$ 693,693**	$ 1,240,546	(44)%	**$ 2,867,752**	$ 5,114,700	(44)%
Premium on risk management activities	**194,332**	406,078	(52)%	**809,886**	508,744	59%
Realized gain (loss) on financial instruments	**106,138**	(139,780)	176%	**566,603**	(629,445)	190%
	994,163	1,506,844	(34)%	**4,244,241**	4,993,999	(15)%
Oil						
Sales from production	**113,198**	101,930	11%	**413,799**	454,206	(9)%
Premium on risk management activities	**3,918**	4,785	(18)%	**16,455**	13,772	19%
Realized (loss) on financial instruments	**(2,073)**	(7,132)	71%	**(9,985)**	(63,475)	84%
	115,043	99,583	16%	**420,269**	404,503	4%
Condensate						
Sales from production	**321,531**	331,056	(3)%	**1,225,901**	1,400,798	(12)%
(Loss) on risk management activities	**(660)**	(1,622)	59%	**(2,236)**	(5,407)	59%
Realized (loss) on financial instruments	**(6,181)**	(19,299)	68%	**(29,294)**	(187,381)	84%
	314,690	310,135	1%	**1,194,371**	1,208,010	(1)%
NGL						
Sales from production	**237,618**	258,983	(8)%	**843,801**	1,141,133	(26)%
(Loss) on risk management activities	**(6,354)**	–	(100)%	**(12,842)**	–	(100)%
Realized gain (loss) on financial instruments	**3,723**	918	306%	**17,157**	(4,808)	457%
	234,987	259,901	(10)%	**848,116**	1,136,325	(25)%
Total						
Sales from production	**1,366,040**	1,932,515	(29)%	**5,351,253**	8,110,837	(34)%
Premium on risk management activities	**191,236**	409,241	(53)%	**811,263**	517,109	57%
Realized gain (loss) on financial instruments	**101,607**	(165,293)	161%	**544,481**	(885,109)	162%
Total revenue from commodity sales and premium on risk management activities and realized gain (loss) on financial instruments	**$ 1,658,883**	$ 2,176,463	(24)%	**$ 6,706,997**	$ 7,742,837	(13)%

Total sales from production for the three months ended December 31, 2023, decreased 29% to $1.4 billion from $1.9 billion for the same quarter of 2022. Total sales from production for the year ended December 31, 2023, decreased 34% from $8.1 billion in 2022 to $5.4 billion in 2023. The decrease for both periods can be attributed to a decline in the AECO and Station 2 natural gas benchmark prices as well as lower oil and condensate benchmark prices partially offset by the increase in produced volumes.

Included in the premium on risk management activities is the premium (loss) that Tourmaline receives from selling gas to markets outside Alberta and British Columbia and the premium (loss) received on physical commodity contract prices compared to benchmark pricing. Tourmaline has significantly diversified the markets where its natural gas is sold including Sumas, PG&E Malin, PG&E Citygate, Chicago Citygate, Ventura, Dawn, and Asia (via the US Gulf Coast) all of which have historically had higher natural gas prices as compared to AECO.

The three and twelve months ended December 31, 2023 included a premium on risk management activities of $191.2 million and $811.3 million, respectively, compared to a premium of $409.2 million and $517.1 million, respectively, for the same periods of the prior year. For the three and twelve months ended December 31, 2023, AECO prices, on average, were lower than the prices received (after transportation) at the other hubs where Tourmaline sells its natural gas, resulting in a premium received on risk management activities, as well as a gain on the Company's physical contracts during the periods.

Total revenue, for the three and twelve months ended December 31, 2023, was also impacted by a realized gain on financial instruments of $101.6 million and $544.5 million, respectively, (three and twelve months ended December 31, 2022 – realized loss on financial instruments of $165.3 million and $885.1 million, respectively) reflecting higher prices received on financial commodity contracts when compared to lower benchmark prices. Additionally, included in the realized gain on financial instruments are the realized gains Tourmaline recorded in 2023 related to its natural gas embedded derivative which reflects the premium received on the Japan Korea Marker (“JKM”) price (less fees) compared to NYMEX.

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

BENCHMARK OIL AND GAS PRICES:

	Three Months Ended December 31,			Years Ended December 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
Natural gas						
NYMEX Last Day *(USD$/mcf)*	**$ 2.88**	$ 6.26	(54)%	**$ 2.74**	$ 6.64	(59)%
AECO 5A *(CAD$/mcf)*	**$ 2.34**	$ 5.14	(54)%	**$ 2.68**	$ 5.34	(50)%
West Coast Station 2 (*CAD$/mcf*)	**$ 2.06**	$ 3.19	(35)%	**$ 2.27**	$ 4.46	(49)%
Sumas (*USD$/mmbtu*)	**$ 3.22**	$ 14.30	(77)%	**$ 4.22**	$ 8.08	(48)%
ATP 5A Day Ahead (*CAD$/mcf*)	**$ 2.43**	$ 4.89	(50)%	**$ 2.47**	$ 5.59	(56)%
Chicago Citygate (*USD$/mmbtu*)	**$ 2.28**	$ 5.37	(58)%	**$ 2.30**	$ 6.09	(62)%
Ventura (*USD$/mmbtu*)	**$ 2.23**	$ 5.61	(60)%	**$ 2.29**	$ 6.09	(62)%
PG&E Malin (*USD$/mmbtu*)	**$ 3.64**	$ 14.36	(75)%	**$ 4.69**	$ 8.38	(44)%
PG&E Citygate (*USD$/mmbtu*)	**$ 5.05**	$ 15.81	(68)%	**$ 6.09**	$ 9.59	(36)%
Dawn (*USD$/mmbtu*)	**$ 2.28**	$ 5.16	(56)%	**$ 2.33**	$ 6.04	(61)%
JKM (*USD$/mmbtu*)	**$ 15.59**	$ 38.56	(60)%	**$ 14.61**	$ 34.25	(57)%
Oil and condensate						
NYMEX WTI *(USD$/bbl)*	**$ 78.53**	$ 82.64	(5)%	**$ 77.61**	$ 94.33	(18)%
Edmonton Par *(CAD$/bbl)*	**$ 96.96**	$ 108.16	(10)%	**$ 99.62**	$ 119.84	(17)%
Edmonton Condensate (*CAD$/bbl*)	**$ 104.53**	$ 115.48	(9)%	**$ 102.79**	$ 121.46	(15)%

CURRENCY – EXCHANGE RATES:

	Three Months Ended December 31,			Years Ended December 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
CAD$/USD$ [(1)]	**$ 0.7347**	$ 0.7369	–%	**$ 0.7411**	$ 0.7688	(4)%

(1) Average rates for the period.

TOURMALINE REALIZED PRICES [(1)]:

	Three Months Ended December 31,			Years Ended December 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
Natural gas *($/mcf)*	**$ 4.25**	$ 6.89	(38)%	**$ 4.83**	$ 5.87	(18)%
Oil *($/bbl)*	**$ 94.63**	$ 98.39	(4)%	**$ 96.70**	$ 102.02	(5)%
Condensate (*$/bbl*)	**$ 98.21**	$ 103.57	(5)%	**$ 99.13**	$ 103.23	(4)%
NGL *($/bbl)*	**$ 30.03**	$ 39.26	(24)%	**$ 31.45**	$ 44.77	(30)%
Oil equivalent *($/boe)*	**$ 32.37**	$ 46.24	(30)%	**$ 35.31**	$ 42.36	(17)%

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

The realized average natural gas price for the three months ended December 31, 2023, decreased by 38% to $4.25/mcf from $6.89/mcf for the same period of the prior year. For the year ended December 31, 2023, the realized average natural gas price was $4.83/mcf, which is 18% lower than the same period of the prior year. The decrease is the result of lower natural gas benchmark prices at all of the major hubs where the Company sells its natural gas. The lower commodity prices at these hubs were partially offset by the 2023 JKM benchmark price which, during the periods, was significantly higher than the Canadian benchmark natural gas prices. In January 2023, Tourmaline began delivering gas to Cheniere Energy in the US Gulf Coast which receives a JKM benchmark price.

Realized oil prices decreased by 4% and 5% for the three and twelve months ended December 31, 2023, respectively, compared to the same periods of the prior year. The decrease reflects the decrease in benchmark oil prices in the three and twelve months ended December 31, 2023, compared to the same periods in 2022, partially offset by lower realized losses on financial instruments.

For the three and twelve months ended December 31, 2023, the realized price of condensate was $98.21/bbl and $99.13/bbl, which is 5% and 4%, respectively, lower than the same periods of the prior year. The decrease reflects the lower benchmark prices received during the periods, partially offset by lower realized losses on financial instruments.

The realized NGL price for the three and twelve months ended December 31, 2023, decreased by 24% and 30%, respectively, compared to the same periods of the prior year. The decrease correlates with the decrease in natural gas, oil, and condensate benchmark prices in both periods and the realized loss on risk management activities.

ROYALTIES

	Three Months Ended December 31,			Years Ended December 31,		
(000s)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Natural gas						
Crown royalties	**$ 47,364**	$ 191,098	(75)%	**$ 342,220**	$ 752,719	(55)%
GORR royalties	**17,587**	35,982	(51)%	**79,056**	151,938	(48)%
Royalty credits	**(24,815)**	(64,289)	(61)%	**(190,283)**	(307,930)	(38)%
	40,136	162,791	(75)%	**230,993**	596,727	(61)%
Oil, condensate and NGL						
Crown royalties	**105,983**	142,823	(26)%	**420,140**	612,877	(31)%
GORR royalties	**13,659**	14,118	(3)%	**51,359**	61,399	(16)%
Royalty credits	**(9,312)**	(26,948)	(65)%	**(64,073)**	(155,454)	(59)%
	110,330	129,993	(15)%	**407,426**	518,822	(21)%
Total royalties	**$ 150,466**	$ 292,784	(49)%	**$ 638,419**	$1,115,549	(43)%
Royalties as a percentage of commodity sales from production	**11.0%**	15.2%		**11.9%**	13.8%	

For the three and twelve months ended December 31, 2023, the average effective royalty rate was 11.0% and 11.9% compared to 15.2% and 13.8%, respectively, for the same periods of the prior year. The decrease in the royalty rate reflects lower commodity benchmark prices compared to the prior year.

Natural gas royalties of $231.0 million, for the year ended December 31, 2023, included crown and GORR royalties of $421.3 million offset by credits of $190.3 million. For the year ended December 31, 2022, natural gas royalties of $596.7 million included crown and GORR royalties of $904.7 million offset by credits of $307.9 million. Included in the credits received for the three and twelve months ended December 31, 2023 and 2022, was Gas Cost Allowance ("GCA") which is provided from the Crown to account for expenses incurred to process and transport the Crown's portion of natural gas production. Also offsetting natural gas crown royalties are credits for the Drilling and Completion Cost Allowance ("C*") in Alberta, as well as the Deep Well Royalty Credit Program in British Columbia.

The Company expects its royalty rate for 2024 to be approximately 10.5%, lower than the 2023 royalty rate, reflecting lower forecast commodity prices as well as depleting credits. The royalty rate is sensitive to commodity prices, and as such, a change in commodity prices will impact the actual rate.

COMMODITY MARKETING

	Three Months Ended December 31,			Years Ended December 31,		
(000s)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Marketing revenue	**$ 19,052**	$ 15,377	24%	**$ 79,724**	$ 49,702	60%
Marketing purchases	**$ (7,888)**	$ (14,021)	(44)%	**$ (30,006)**	$ (43,326)	(31)%

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 December 31, 2023, marketing revenue increased by 24% and marketing purchases decreased by 44% compared to the same period of 2022. For the twelve months ended December 31, 2023, marketing revenue increased by 60% and marketing purchases decreased by 31% compared to the twelve months ended December 31, 2022. The increase in marketing revenue for the twelve months ended relates to revenue received by Tourmaline for third-party natural gas purchased by Cheniere Energy at an index price in the Gulf coast and subsequently sold at a JKM benchmark price under Tourmaline's natural gas supply agreement. The net revenue from this transaction was recorded as marketing revenue on the statement of income and comprehensive income. The decrease in marketing purchases reflects lower commodity benchmark prices and lower volumes purchased.

OTHER INCOME

	Three Months Ended December 31,			Years Ended December 31,		
(000s)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Other income	**$ 11,294**	$ 14,558	(22)%	**$ 47,428**	$ 53,412	(11)%

Other income for the three and twelve months ended December 31, 2023, was $11.3 million and $47.4 million, respectively, compared to $14.6 million and $53.4 million, respectively, for the same periods of the prior year. The decrease in other income is primarily related to lower power generation income reflecting some downtime and lower power prices in 2023.

OPERATING EXPENSES

	Three Months Ended December 31,			Years Ended December 31,		
(000s) except per-unit amounts	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Operating expenses	**$ 216,462**	$ 206,344	5%	**$ 857,173**	$ 785,611	9%
Per boe	**$ 4.22**	$ 4.38	(4)%	**$ 4.51**	$ 4.30	5%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the fourth quarter of 2023, total operating expenses were $216.5 million compared to $206.3 million for the same period of 2022, an increase of 5% over a production base increase of 9%. Operating costs for the year ended December 31, 2023 were $857.2 million compared to $785.6 million for the same period in 2022, reflecting a 9% increase in total costs over a 4% increase in production.

On a per-boe basis, the costs decreased from $4.38/boe for the fourth quarter of 2022 to $4.22/boe in the fourth quarter of 2023. The lower per-boe costs for the three months ended December 31, 2023 reflect lower gathering and processing fees and lower fuel and power costs which were partially offset with general inflationary pressures.

For the year ended December 31, 2023, operating costs were $4.51/boe, up from $4.30/boe in the prior year. The higher per-boe costs for the twelve months ended December 31, 2023, reflect higher property taxes, insurance, and carbon taxes as well as general inflationary pressures. Additionally, the production acquired through corporate and asset acquisitions over the past year generally carried higher operating expenses per-boe which the Company continues to bring down as the assets are integrated and operational efficiencies are realized.

The Company's operating costs for 2024 are expected to average approximately $4.80/boe. The increase over 2023 per-boe costs takes into consideration the higher anticipated property taxes and carbon taxes as well as general inflation and increased operating costs related to the Bonavista assets. The Company continues to increase its liquids portfolio which also carries higher operating costs. Actual cash costs can change, however, depending on a number of factors, including the Company's actual production levels.

TRANSPORTATION

	Three Months Ended December 31,			Years Ended December 31,		
(000s) except per unit amounts	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Natural gas transportation	**$ 227,736**	$ 194,936	17%	**$ 787,118**	$ 705,554	12%
Oil and NGL transportation	**49,255**	44,001	12%	**213,452**	193,317	10%
Total transportation	**$ 276,991**	$ 238,937	16%	**$ 1,000,570**	$ 898,871	11%
Per boe	**$ 5.41**	$ 5.08	6%	**$ 5.27**	$ 4.92	7%

For the fourth quarter of 2023, total transportation expenses were $277.0 million compared to $238.9 million in the fourth quarter of 2022. For the year ended December 31, 2023, transportation expenses were $1.0 billion, compared to $898.9 million for the same period of 2022. Transportation expenses in 2023 reflect increased costs related to higher production volumes as well as more volumes sold outside of Alberta, compared to the prior year.

On a per-boe basis, transportation costs increased from $5.08/boe in the fourth quarter of 2022 to $5.41/boe in the fourth quarter of 2023. For the year ended December 31, 2023, the per-boe transportation costs increased from $4.92/boe in the prior year to $5.27/boe. The increase in the per-unit costs for both periods reflects the additional transportation expense related to delivering natural gas to the US Gulf Coast which began in January 2023.

GENERAL & ADMINISTRATIVE ("G&A") EXPENSES

	Three Months Ended December 31,			Years Ended December 31,		
(000s) except per-unit amounts	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
G&A expenses	**$ 42,405**	$ 38,003	12%	**$ 178,439**	$ 158,444	13%
Administrative and capital recovery	**(1,835)**	(1,886)	(3)%	**(7,048)**	(8,367)	(16)%
Capitalized G&A	**(10,757)**	(9,737)	10%	**(43,165)**	(46,703)	(8)%
Total G&A expenses	**$ 29,813**	$ 26,380	13%	**$ 128,226**	$ 103,374	24%
Per boe	**$ 0.58**	$ 0.56	4%	**$ 0.68**	$ 0.57	19%

Total G&A expenses in the fourth quarter of 2023 were $29.8 million compared to $26.4 million for the same quarter of 2022. For the year ended December 31, 2023, G&A expenses were $128.2 million compared to $103.4 million for the same period of 2022. The increase is primarily due to staff additions, additional office space, and other costs related to corporate and property acquisitions as well as higher third-party service provider fees, insurance and increased costs related to industry marketing initiatives.

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

SHARE-BASED PAYMENTS

	Three Months Ended December 31,		Years Ended December 31,	
(000s)	**2023**	**2022**	**2023**	**2022**
Share-based payments	**$ 18,696**	$ 20,904	**$ 85,186**	$ 50,401
Capitalized share-based payments	**(7,669)**	(8,800)	**(34,888)**	(21,670)
Total share-based payments	**$ 11,027**	$ 12,104	**$ 50,298**	$ 28,731
Per boe	**$ 0.22**	$ 0.26	**$ 0.26**	$ 0.16

The Company recognized $11.0 million and $50.3 million of share-based payments expense for the three and twelve months ended December 31, 2023, compared to $12.1 million and $28.7 million for the same periods of the prior year. Capitalized share-based payments for the three and twelve months ended December 31, 2023 were $7.7 million and $34.9 million compared to $8.8 million and $21.7 million, respectively, for the same periods of the prior year.

Share-based payments are higher for the twelve months ended December 31, 2023, compared to the same period of 2022, which reflects options with a higher fair value being expensed in 2023 compared to 2022 and the expense related to the Company's restricted share unit ("RSU") plan which was introduced in the fourth quarter of 2022.

STOCK OPTION PLAN

The Company uses the fair-value method for the determination of non-cash, share-based payments expense. During the fourth quarter of 2023, 3,296,000 stock options were granted at a weighted-average exercise price of $66.01 per option.

RESTRICTED SHARE UNIT PLAN

During the fourth quarter of 2023, the Company granted 324,170 RSUs. As at December 31, 2023, the Company had 502,548 RSUs outstanding and recognized $2.1 million and $6.9 million of RSU payments expense for the three and twelve months ended December 31, 2023 (December 31, 2022 – $0.5 million). Capitalized RSU payments for the three and twelve months ended December 31, 2023 were $1.5 million and $5.1 million (December 31, 2022 – $0.4 million). Both of these amounts are included in the share-based payments table above.

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

	Three Months Ended December 31,		Years Ended December 31,	
(000s) except per unit amounts	**2023**	**2022**	**2023**	**2022**
Total depletion, depreciation and amortization	**$ 371,071**	$ 308,232	**$ 1,303,444**	$ 1,184,516
Less mineral lease expiries	**(3,749)**	(1,030)	**(17,850)**	(32,530)
DD&A	**$ 367,322**	$ 307,202	**$ 1,285,594**	$ 1,151,986
Per boe	**$ 7.17**	$ 6.53	**$ 6.77**	$ 6.30

DD&A expense, excluding mineral lease expiries, was $367.3 million for the fourth quarter of 2023 compared to $307.2 million for the same period of 2022. DD&A expense includes depletion of oil and gas interests (excluding plant and facilities) of $345.0 million (three months ended December 31, 2022 - $288.3 million) and combined depreciation of plants and facilities, office equipment, furniture and fixtures and ROU asset.

For the twelve-month period ended December 31, 2023, DD&A expense (excluding mineral lease expiries) was $1.3 billion compared to $1.2 billion for the same period of 2022. Included in DD&A expense is $1.2 billion attributable to depletion expense related to oil and gas interests (December 31, 2022 - $1.1 billion). The increase in DD&A expense in 2023 over 2022 is primarily due to higher production volumes as well as a higher depletable base, including an increase in future development costs reflecting inflationary pressures.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) of $7.17/boe and $6.77/boe for the three and twelve months ended December 31, 2023, respectively, increased compared to the rate of $6.53/boe and $6.30/boe for the same periods of the prior year, respectively. The increase in the per-boe rate is primarily due to the increase in future development costs which increases the depletable base.

Mineral lease expiries for the three months ended December 31, 2023 were $3.7 million, compared to expiries in the same quarter of the prior year of $1.0 million. For the twelve months ended December 31, 2023, expiries were $17.9 million compared to $32.5 million for the same period of 2022. The expired leases for the twelve months ended December 31, 2023 amount to less than 1% of Tourmaline's total land base.

The Company prioritizes drilling on what it believes to be the most cost-efficient and productive acreage, and, with such a large land base, the Company has chosen not to continue some of the expiring sections of land. The Company explores all alternatives (including swaps, farm-outs, joint ventures and dispositions) to realize the value from these sections before they expire.

At December 31, 2023, and December 31, 2022, the Company did not identify indicators of impairment on any of its cash-generating units ("CGUs") and therefore, an impairment test was not performed. The Company has no CGUs with historical impairment that have not been fully reversed.

FINANCE EXPENSES

	Three Months Ended December 31,			Years Ended December 31,		
(000s)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Interest on loans and borrowings	**$ 14,114**	$ 8,909	58%	**$ 37,347**	$ 29,616	26%
Accretion expense	**6,791**	6,813	–%	**19,362**	21,153	(8)%
Lease interest	**404**	82	393%	**840**	319	163%
Foreign exchange (gain) loss on U.S. denominated debt	**(25,007)**	13,876	(280)%	**(25,007)**	6,666	(475)%
Realized (gain) loss on cross-currency swaps	**25,007**	(13,876)	280%	**25,007**	(6,666)	475%
Transaction costs on corporate and property acquisitions	**7,372**	–	100%	**7,419**	439	1,590%
Total finance expenses	**$ 28,681**	$ 15,804	81%	**$ 64,968**	$ 51,527	26%

Finance expenses for the three months ended December 31, 2023, totaled $28.7 million compared to $15.8 million for the same period of 2022. The average combined bank debt and senior unsecured notes outstanding, and the average effective interest rate on the debt was $1.0 billion and 4.69% for the three months ended December 31, 2023, compared to $737.0 million and 3.81% for the same period of 2022, respectively.

For the year ended December 31, 2023, finance expenses totaled $65.0 million compared to $51.5 million for the same period of 2022. The average combined bank debt and senior unsecured notes outstanding, and the average effective interest rate on the debt for the year ended December 31, 2023, was $744.3 million and 3.95% compared to $818.8 million and 2.70% for the same period of 2022, respectively.

Interest expense increased for the year ended December 31, 2023, due to the increase in the effective interest rate which was partially offset by the decrease in average bank debt outstanding compared to 2022. The increase in the effective interest rate for both the three and twelve months ended December 31, 2023 reflects the higher Bank of Canada prime rate in 2023 over the same periods of 2022.

For the three and twelve-month periods ended December 31, 2023, 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 entered into cross-currency swaps to offset the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between CDOR and SOFR without taking on any foreign exchange risk.

INCOME TAXES

	Three Months Ended December 31,		Years Ended December 31,	
(000s)	**2023**	**2022**	**2023**	**2022**
Current income taxes	**$ 75,669**	$ 7,599	**$ 431,298**	$ 11,934
Deferred income taxes	**113,823**	13,838	**12,196**	1,407,309
Income taxes	**$ 189,492**	$ 21,437	**$ 443,494**	$ 1,419,243

For the three and twelve months ended December 31, 2023, current income taxes were $75.7 million and $431.3 million, respectively, compared to $7.6 million and $11.9 million for the same periods of the prior year. The increase in 2023 is due to the Company becoming taxable for the first time in the third quarter of 2022 as a result of taxable income being in excess of available tax deductions.

For the three months ended December 31, 2023, the provision for deferred income taxes was $113.8 million compared to $13.8 million for the same period of the prior year. The increase in deferred income taxes is primarily due to an unrealized loss of $1.8 billion recorded on the Company's JKM natural gas supply agreement embedded derivative in the fourth quarter of 2022 resulting in significantly lower income before taxes compared to the same period of 2023.

For the year ended December 31, 2023, the provision for deferred income taxes was $12.2 million compared to deferred income taxes of $1.4 billion for the same period of 2022. The deferred income taxes for the year ended December 31, 2023 reflects income before taxes of $2.2 billion, including the unrealized loss on the Company's natural gas embedded derivative of $1.2 billion. For the year ended December 31, 2022, income before taxes was $5.9 billion, including the unrealized gain on the Company's natural gas embedded derivative of $2.0 billion.

Income taxes for the year ended December 31, 2023, reflect a decrease in the average effective tax rate from 24.16% in 2022 to 23.57% in 2023, with a higher proportion of income taxes in 2023 recorded to current taxes versus deferred income taxes.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

	Three Months Ended December 31,			Years Ended December 31,		
(000s) except per unit amounts	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Cash flow from operating activities	**$ 1,012,819**	$ 1,115,399	(9)%	**$ 4,406,092**	$ 4,692,731	(6)%
Per share [1]	**$ 2.90**	$ 3.24	(10)%	**$ 12.76**	$ 13.70	(7)%
Cash flow [2]	**$ 918,008**	$ 1,402,647	(35)%	**$ 3,707,683**	$ 4,883,949	(24)%
Per share [1][2]	**$ 2.62**	$ 4.08	(36)%	**$ 10.73**	$ 14.26	(25)%
Net earnings (loss)	**$ 700,202**	$ (30,366)	2,406%	**$ 1,735,880**	$ 4,487,049	(61)%
Per share [1]	**$ 2.00**	$ (0.09)	2,322%	**$ 5.03**	$ 13.10	(62)%
Operating netback per boe [2]	**$ 19.80**	$ 30.56	(35)%	**$ 22.17**	$ 27.04	(18)%

(1) Per share amounts have been calculated using the weighted average number of diluted common shares except the net earnings (loss) per share amounts in periods which Tourmaline has reported a net loss. In these periods, the weighted average number of basic common shares has been used as there is an anti-dilutive impact on per-share calculations.

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

Cash flow for the three months ended December 31, 2023 was $918.0 million or $2.62 per diluted share compared to $1.4 billion or $4.08 per diluted share for the same period of 2022. For the year ended December 31, 2023, cash flow was $3.7 billion or $10.73 per diluted share compared to $4.9 billion or $14.26 per diluted share for the same period of 2022. The decrease in cash flow for the three and twelve months ended December 31, 2023, compared to the same periods of 2022, reflects a lower operating netback as well as a reduction to cash flow of $75.7 million and $431.3 million, respectively, relating to current tax expense recorded in 2023 (three and twelve months ended December 31, 2022 - $7.6 million and $11.9 million).

The Company had after-tax net earnings for the three months ended December 31, 2023 of $700.2 million or $2.00 per diluted share compared to after-tax net loss of $30.4 million or $0.09 per share for the same period of 2022. After-tax net earnings for the three months ended December 31, 2023, reflect an unrealized gain of $200.6 million on financial instruments whereas an unrealized loss on financial instruments of $1.1 billion, primarily related to the Company's natural gas embedded derivative, was recorded in the same quarter of the prior year. Partially offsetting the impact of the unrealized gain on financial instruments was a 35% decrease in the Company's operating netback per boe.

For the twelve-month period ended December 31, 2023, after-tax net earnings were $1.7 billion or $5.03 per diluted share compared to after-tax net earnings of $4.5 billion or $13.10 per diluted share for the same period of the prior year. The decrease in after-tax net earnings in 2023, compared to 2022, reflects an unrealized loss on financial instruments of $658.2 million, compared to an unrealized gain on financial instruments of $2.1 billion, for the same period of the prior year. The large gain on financial instruments in 2022 was primarily due to an unrealized gain recorded on the Company's natural gas embedded derivative. The lower after-tax net earnings also reflects the decrease in the Company's operating netback.

CAPITAL EXPENDITURES

	Three Months Ended December 31,		Years Ended December 31,	
(000s)	**2023**	**2022**	**2023**	**2022**
Land and seismic	**$ 9,288**	$ 20,228	**$ 40,157**	$ 53,743
Drilling and completions	**493,482**	392,757	**1,575,652**	1,314,593
Facilities	**120,480**	69,810	**355,401**	254,449
Exploration and production expenditures	**623,250**	482,795	**1,971,210**	1,622,785
Property acquisitions	–	12,126	**58,536**	273,843
Property dispositions	–	(109)	**(7,789)**	(71,489)
Other	**12,737**	11,170	**51,292**	54,208
Total capital expenditures	**$ 635,987**	$ 505,982	**$ 2,073,249**	$ 1,879,347

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

During the fourth quarter of 2023, the Company invested $636.0 million of cash consideration compared to $506.0 million for the same period of 2022. Expenditures on exploration and production ("EP") were $623.3 million for the fourth quarter of 2023 compared to $482.8 million for the same quarter of 2022. During the twelve-month period ended December 31, 2023, the Company invested $2.1 billion of cash consideration, net of dispositions, compared to $1.9 billion for the same period of 2022.

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

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Gross	**Net**	**Gross**	**Net**
Drilled	**280**	**266.30**	259	240.30
Completed	**259**	**245.29**	280	258.90
Tied-in	**266**	**251.40**	271	252.50

EP capital expenditures in 2024 are now forecast to be $2.0 billion, plus an additional $40 million in exploration-directed spending, down from the previous forecast of $2.15 billion for EP capital expenditures plus $100 million in exploration-directed spending, disclosed in the Company's November 1, 2023 news release. The reduced 2024 forecast capital expenditures are a result of the lower forecast 2024 commodity prices compared to the previous forecast. As it relates to EP capital expenditures, the Company expects drilling and completions costs of approximately $1.7 billion and facilities expenditures (including equipment, pipelines and tie-ins) of approximately $300 million. The capital budget is closely monitored and will continue to be adjusted as required, depending on cash flow available.

Corporate Acquisition

On November 17, 2023, the Company acquired all of the issued and outstanding shares of Bonavista. The Company issued 10,341,778 common shares at a price of $66.64 per share for share consideration of $689.2 million and paid $651.0 million of cash consideration, including the assumption of net debt. Total transaction costs incurred by the Company of $7.4 million associated with this acquisition were included in finance expense on the consolidated statement of income and comprehensive income for the year ended December 31, 2023. The acquisition has been accounted for as a business combination and resulted in an increase in PP&E of approximately $1.7 billion, net debt of $90.8 million (bank debt, net of working capital of $16.2 million and financial instruments of $11.3 million), decommissioning obligations of $247.5 million, a deferred income tax asset of $82.3 million, along with a gain on acquisition of $82.2 million primarily related to the deferred income tax asset recognized. The acquisition represents a further important component of the Company's ongoing consolidation strategy that complements its long-term organic growth plan. The Bonavista assets are an extension of Tourmaline's existing operations in the Deep Basin and provide for an increase in drilling inventory, developed lands, production and infrastructure.

Property Acquisitions

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

On July 21, 2023, the Company acquired assets in the Deep Basin for cash consideration of $19.1 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately $19.4 million and the assumption of $0.3 million in decommissioning liabilities.

The Company applied the optional IFRS 3 concentration test to each of the above acquisitions which resulted in the acquired assets being accounted for as asset acquisitions.

Total Property Acquisitions and Dispositions

In total, for the year ended December 31, 2023, the Company completed property acquisitions for cash consideration of $58.5 million, including the acquisitions discussed above (December 31, 2022- $273.8 million) and $1.0 million in property acquisitions for non-cash consideration (December 31, 2022 - $9.5 million). The Company assumed $1.2 million in decommissioning liabilities as a result of these acquisitions (December 31, 2022 - $20.9 million).

For the year ended December 31, 2023, the Company also completed property dispositions for total cash consideration of $7.8 million (December 31, 2022 - $71.5 million) and non-cash consideration of $1.0 million (December 31, 2022 – $9.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Bank debt

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks in the amount of $2.55 billion with $2.34 billion maturing in June 2028 and $215.0 million maturing in June 2027. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The revolving credit facility includes an expansion feature ("accordion") which allows the Company, upon approval from the lenders, to increase the facility amount by up to $500 million by adding a new financial institution or by increasing the commitment of its existing lenders. The revolving credit facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate, banker's acceptance rates or Secured Overnight Financing Rate (“SOFR”) (for U.S. borrowings), plus applicable margins. At December 31, 2023, $651.6 million was drawn on the revolving credit facility.

Under the terms of the revolving credit facility, Tourmaline is subject to the following covenant: (i) the ratio of total debt(1) to total capitalization(1) must not exceed 0.65:1. As at, and for the year ending, December 31, 2023, the Company is in compliance with all debt covenants.

(1) See “Non-GAAP and Other Financial Measures”.

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

Additionally, the Company has an unsecured credit facility payable on demand in the amount of $50.0 million with a Canadian bank. At December 31, 2023, the demand credit facility was undrawn.

Tourmaline has outstanding letters of credit in the amount of $74.8 million at December 31, 2023 (December 31, 2022 - $54.9 million) of which $26.3 million is secured by the operating credit facility and $48.5 million is secured by the demand facility.

Senior unsecured notes

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

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

The Company's aggregate borrowing capacity is $3.1 billion at December 31, 2023 including the bank debt and senior unsecured notes.

Adjusted working capital (1) and net debt (1)

As at December 31, 2023, the Company had an adjusted working capital deficit of $679.5 million, after adjusting for the fair value of short-term financial instruments, short-term lease liabilities, short-term decommissioning obligations and unrealized foreign exchange in working capital (the working capital deficit was $298.3 million) (December 31, 2022 – adjusted working capital of $124.7 million and working capital of $809.4 million, respectively). As at December 31, 2023, the Company had $651.6 million drawn against the revolving credit facility and $448.6 million of notes outstanding for total combined bank debt and senior unsecured notes of $1.1 billion (net of debt issue costs) (December 31, 2022 - $619.1 million). Net debt at December 31, 2023 was $1.8 billion, excluding the fair value of short-term financial instruments, short-term lease liabilities, short-term decommissioning obligations and unrealized foreign exchange in working capital (December 31, 2022 - $494.4 million).

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

Normal course issuer bid

The Company has a normal course issuer bid ("NCIB") in place. On August 2, 2023, the Company renewed its NCIB allowing up to 16,989,041 common shares, representing 5% of its common shares outstanding at July 25, 2023, to be purchased over a period of twelve months commencing on August 8, 2023. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the year ended December 31, 2023, the Company did not purchase any common shares for cancellation.

Dividends

During the three and twelve months ended December 31, 2023, the Company paid a quarterly cash dividend of $0.28 and $1.05 per common share totalling $98.4 million and $359.8 million, respectively, compared to $0.25 and $0.90 per common share totalling $84.7 million and $302.7 million for the same periods of the prior year.

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

On May 19, 2023, the Company paid a special dividend of $1.50 per common share totalling $508.7 million.

On August 22, 2023, the Company paid a special dividend of $1.00 per common share totalling $340.0 million.

On November 1, 2023, the Company paid a special dividend of $1.00 per common share totalling $340.8 million.

Capital management

For 2024, management will continue to use internally generated cash flow to fund its exploration and development program and is dedicated to keeping a strong statement of financial position, which has proven to be very important, especially in times of volatile commodity prices. The increase in cash flow in 2022 and 2023 has consistently been directed towards modest, sustainable dividend increases, special dividends and debt reduction. On a go-forward basis, the Company intends to continue to return the vast majority of cash flow less capital expenditures back to shareholders which will be achieved through modest and sustainable base dividend increases, special dividends when appropriate, and tactical share buybacks. Management's approach to capital management is further described in note 4(d) of the Company's annual consolidated financial statements.

INVESTMENT IN TOPAZ ENERGY CORP ("TOPAZ")

At December 31, 2023, the Company owned 31.2% of the outstanding common shares of its associate, Topaz. For the three and twelve months ended December 31, 2023, Tourmaline recorded income from investment in Topaz of $5.6 million and $14.9 million, respectively, and Topaz paid cash dividends of $0.31 and $1.22 per common share resulting in Tourmaline receiving $14.0 million and $55.1 million, respectively, which was recorded as a reduction to the investment in Topaz. For the three and twelve months ended December 31, 2022, Tourmaline recorded income from investment in Topaz of $6.0 million and $34.4 million, respectively, and Topaz paid cash dividends of $0.30 and $1.10 per common share resulting in Tourmaline receiving $13.5 million and $52.8 million, respectively.

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. For the three and twelve months ended December 31, 2023, gross overriding royalties of $27.7 million and $115.2 million and processing fees of $10.4 million and $39.3 million, respectively, were payable to Topaz and are included in the Company's consolidated statement of income and comprehensive income as royalties and operating expenses. For the three and twelve months ended December 31, 2022, gross overriding royalties of $45.9 million and $188.4 million and processing fees of $10.1 million and $38.6 million were payable to Topaz.

SHARES AND STOCK OPTIONS OUTSTANDING

As at March 6, 2024 the Company has 351,473,541 common shares outstanding and 14,339,472 stock options granted and outstanding.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

In the normal course of business, Tourmaline 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]	$ 4,998	$ 8,780	$ 8,339	$ 21,592	$ 43,709
Firm transportation agreements	1,107,176	1,972,370	1,547,756	5,622,992	10,250,294
Processing commitments [2]	158,864	269,843	217,061	350,999	996,767
Capital commitments [3]	34,851	12,502	3,125	–	50,478
Revolving credit facility [4]	–	–	897,000	–	897,000
Senior unsecured notes [5]	10,378	20,757	265,920	200,611	497,666
	$ 1,316,267	$ 2,284,252	$ 2,939,201	$ 6,196,194	$ 12,735,914

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

(2) Includes processing and power commitments.

(3) Includes drilling commitments.

(4) Includes interest expense at 6.77% being the rate applicable to outstanding debt on the credit facility at December 31, 2023 and interest paid at the maturity of the facility.

(5) Includes interest expense at 2.31% being the average rate applicable on the senior unsecured notes at December 31, 2022 with interest payments made semi-annually.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results of operations, liquidity or capital expenditures.

FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are discussed in note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2023.

As at December 31, 2023, the Company has entered into certain financial derivative contracts in order to manage commodity 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 commodity contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of income and comprehensive income. The contracts that the Company entered into in 2023 are summarized in note 4 of the Company's consolidated financial statements for the year ended December 31, 2023.

The following table provides a summary of the unrealized gains and losses on financial instruments for the year ended December 31, 2023:

	Three Months Ended December 31,		**Years Ended December 31,**	
(000s)	**2023**	**2022**	**2023**	**2022**
Unrealized gain (loss) on financial instruments	**$ 200,597**	$(1,093,061)	**$ (658,200)**	$ 2,100,989

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 December 31, 2023 have been summarized and disclosed in note 4 of the Company's consolidated financial statements for the year ended December 31, 2023.

The Company has a 15-year natural gas supply agreement, under which Tourmaline will deliver 140,000 mmbtu/d (approximately 140,000 mcf/d), which commenced in January 2023. Under the terms of the agreement, Tourmaline will deliver natural gas to its counterparty at a delivery point in Louisiana, USA and receive a JKM index price less deductions for transport and liquefication. Due to the fact that the volumes are delivered to the counterparty in the United States, but that Tourmaline ultimately receives a JKM index price, it was determined that the JKM natural gas supply agreement contained an embedded derivative as a result of the pricing spread between JKM and NYMEX. The Company defined the host contract as a natural gas sales contract with an underlying natural gas price of NYMEX.

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

The Company will have unrealized gains (losses) on the natural gas supply agreement embedded derivative based on the movements in the JKM and NYMEX price forecasts. For the three and twelve months ended December 31, 2023, the natural gas embedded derivative resulted in an unrealized loss of $82.0 million and $1.2 billion, respectively, as a result of the weakening of the forecast JKM price relative to the forecast NYMEX price (three and twelve months ended December 31, 2022 – unrealized loss of $1.8 billion and unrealized gain of $2.0 billion. At December 31, 2023, the Company recorded a level 3 fair value of the JKM natural gas supply agreement embedded derivative of $835.6 million.

Financial derivative and physical delivery contracts entered into subsequent to December 31, 2023 are detailed in note 4 of the Company's consolidated financial statements for the year ended December 31, 2023.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Company's use of estimates and judgments in preparing the consolidated financial statements are discussed in note 1 of the consolidated financial statements for the year ended December 31, 2023.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the periods in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

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 NI 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 GAAP.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's DC&P and ICFR. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2023, the Company's DC&P and ICFR are effective.

There were no changes in the Company's DC&P or ICFR during the period beginning on October 1, 2023 and ending December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or 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 forth in the Committee of Sponsoring Organizations of the Treadway Commission 2013 Internal Control-Integrated Framework.

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

BUSINESS RISKS AND UNCERTAINTIES

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

On October 7, 2021, the Government of British Columbia launched a comprehensive review of its oil and gas royalty system. The new oil and gas royalty system (the "New Royalty Framework") was announced in May 2022 and will take effect on September 1, 2024. The New Royalty Framework will increase the minimum royalty rate from 3% to 5%, and eliminate certain existing royalty programs, including the Deep Well Royalty Program, the Marginal Well Royalty Reduction program, the Ultramarginal Well Royalty Reduction program, and the Low Productivity Well Rate Reduction programs (the "Old Royalty Programs"). New wells drilled under the New Royalty Framework will pay the flat royalty of 5% until capital spent on drilling and completions is recovered, at which point they will move to a price-sensitive royalty rate between 5% and 40%, depending on the specific commodity being produced. Wells drilled on or after September 1, 2022 are not eligible for the Old Royalty Programs, and will pay a 5% royalty rate for the equivalent of the first 12 months of production. Following this period, these wells will pay the prevailing price-sensitive royalty rates until September 1, 2024 when all wells will be transitioned to the New Royalty Framework. Wells drilled prior to September 1, 2022 will pay royalties based on the current framework until September 1, 2024, at which time those wells will be transitioned to the New Royalty Framework and will no longer be able to take advantage of the Old Royalty Programs.

On January 18, 2023, the Government of British Columbia and the Blueberry River First Nation (“BRFN”) reached an agreement in response to the British Columbia Supreme Court’s judgement in the case of *Yahey v British Columbia* (the "Blueberry Decision"), in which it determined that the cumulative impacts of industrial development on the traditional territory of the BRFN in northeast British Columbia had breached the BRFN's rights guaranteed under Treaty 8. The agreement will transform how the Province and First Nations steward land, water and resources together, and address cumulative effects in BRFN's claim area through restoration to heal the land, establish areas protected from industrial development, and constrain some of the development activities while a long-term cumulative-effects management regime is implemented. The work of achieving these goals will be carried out through a series of measures; there will be limits on new petroleum and natural gas (PNG) development and a new planning regime for future oil and gas activities. The Company continues to work with both the Government of British Columbia and BRFN as it plans for the future development of its assets. Going forward, the Blueberry Decision may have significant impacts on the regulation of industrial activities in northeast British Columbia. Further, it may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties.

In 2008, British Columbia enacted the *Carbon Tax Act*, which introduced a tax on consumed fuels, and in 2019, the CleanBC Industrial Incentive Program (CIIP) came into effect, which introduced an additional carbon pricing system for large industry. The CIIP aims to encourage cleaner operations by reducing carbon tax costs for certain low-emitting facilities. On April 1, 2024, BC will begin transitioning to a new output-based pricing system (BC OBPS), which will eventually replace the CIIP, with elements of both the CIIP and BC OBPS remaining in place until the end of 2024. The BC OBPS will be mandatory for large emitters that emit over 10,000 tons of carbon dioxide equivalent annually. Given the evolving nature of climate change policy, including carbon taxes, it is expected that current and future climate change regulations will increase the Company's operating expenses, and, in the long-term, could impact demand for oil and natural gas and related products.

To meet international commitments to reducing global methane emissions, the federal government released proposed amendments to the *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* ("Federal Methane Regulations") in December 2023. The proposed amendments build on the existing requirements and would apply to upstream, midstream and transmission onshore oil and gas facilities with a view to reducing methane emissions by at least 75% in the oil and gas sector by 2030, relative to 2012 levels. The new requirements would include reducing volatile organic compound emissions as further described under Schedule 1 of the *Canadian Environmental Protection Act, 1999*. The amendments would prohibit intentional venting of hydrocarbon gas and require physical connection to conservation or destruction equipment.

The proposed amendments are targeted to come into force in January 2027. The federal government intends to stagger the implementation of the proposed regulatory measures, with full sector compliance by 2030. The federal government may introduce changes to the proposed amendments following further consultations with stakeholders and the provinces. The current Federal Methane Regulations do not apply in Alberta, British Columbia or Saskatchewan. The regulations in each province have equivalent processes to the federal measures aimed at reducing methane emissions and each has entered into equivalency agreements with the federal government. These equivalency agreements are set to expire before January 2027, which will require new equivalency agreements to be entered into, to ensure continued non-application of the Federal Methane Regulations.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of a decline in commodity prices.

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

In addition, if the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. The Company continues to monitor the evolving ESG regulations and its potential impact on the Company.

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the above noted factors, the Company is unable at this time to predict the long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

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

IMPACT OF ENVIRONMENTAL REGULATIONS

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

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

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A contains the terms cash flow, capital expenditures, and operating netback which are considered "non-GAAP financial measures" and operating netback per boe which is considered a "non-GAAP financial ratio". These terms do not have a standardized meaning prescribed by GAAP. In addition, this MD&A contains the terms adjusted working capital and net debt, which are considered "capital management measures". Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company's performance.

The terms "total debt" and "total capitalization" are not used by management in measuring performance but are used in the financial covenants under the Company's credit facility. Under the Company's credit facility "total debt" means generally the sum of debt plus subordinated debt, (Tourmaline currently does not have any subordinated debt), and "total capitalization" means generally the sum of the Company's shareholders' equity and all other indebtedness of the Company including bank debt, all determined on a consolidated basis in accordance with GAAP.

Non-GAAP Financial Measures

Cash Flow

Management uses the term "cash flow" for its own performance measure and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash (net of current income taxes) necessary to fund its future growth expenditures, to repay debt or to pay dividends. The most directly comparable GAAP measure for cash flow is cash flow from operating activities. A summary of the reconciliation of cash flow from operating activities to cash flow, is set forth below:

	Three Months Ended December 31,		Years Ended December 31,	
(000s)	**2023**	**2022**	**2023**	**2022**
Cash flow from operating activities (per GAAP)	**$ 1,012,819**	$ 1,115,399	**$ 4,406,092**	$ 4,692,731
Current income taxes	**(75,669)**	(7,599)	**(431,298)**	(11,934)
Current income taxes paid	**6,051**	–	**40,548**	–
Change in non-cash working capital (deficit)	**(25,193)**	294,847	**(307,659)**	203,152
Cash flow	**$ 918,008**	$ 1,402,647	**$ 3,707,683**	$ 4,883,949

Capital Expenditures

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

	Three Months Ended December 31,		Years Ended December 31,	
(000s)	**2023**	**2022**	**2023**	**2022**
Cash flow used in investing activities (per GAAP)	**$ 1,196,019**	$ 548,471	**$ 2,602,360**	$ 1,971,129
Corporate acquisitions	**(650,986)**	–	**(650,986)**	(67,770)
Change in non-cash working capital (deficit)	**90,954**	(42,489)	**121,875**	(24,012)
Capital expenditures	**$ 635,987**	$ 505,982	**$ 2,073,249**	$ 1,879,347

Operating Netback

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

	Three Months Ended December 31,		Years Ended December 31,	
(000)	**2023**	**2022**	**2023**	**2022**
Commodity sales from production	**$ 1,366,040**	$ 1,932,515	**$ 5,351,253**	$ 8,110,837
Premium on risk management activities	**191,236**	409,241	**811,263**	517,109
Realized gain (loss) on financial instruments	**101,607**	(165,293)	**544,481**	(885,109)
Royalties	**(150,466)**	(292,784)	**(638,419)**	(1,115,549)
Transportation costs	**(276,991)**	(238,937)	**(1,000,570)**	(898,871)
Operating expenses	**(216,462)**	(206,344)	**(857,173)**	(785,611)
Operating netback	**$ 1,014,964**	$ 1,438,398	**$ 4,210,835**	$ 4,942,806

Non-GAAP Financial Ratio

Operating Netback per-boe

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

	Three Months Ended December 31,		Years Ended December 31,	
($/boe)	**2023**	**2022**	**2023**	**2022**
Revenue, excluding processing income	**$ 32.37**	$ 46.24	**$ 35.31**	$ 42.36
Royalties	**(2.94)**	(6.22)	**(3.36)**	(6.10)
Transportation costs	**(5.41)**	(5.08)	**(5.27)**	(4.92)
Operating expenses	**(4.22)**	(4.38)	**(4.51)**	(4.30)
Operating netback	**$ 19.80**	$ 30.56	**$ 22.17**	$ 27.04

Capital Management Measures

Adjusted Working Capital

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

	As at December 31,	
(000s)	**2023**	**2022**
Working capital (deficit)	**$ (298,280)**	$ 809,449
Fair value of financial instruments – short-term (asset)	**(437,535)**	(709,286)
Lease liabilities – short-term	**5,796**	3,109
Decommissioning obligations – short-term	**45,000**	30,000
Unrealized foreign exchange in working capital – (asset) liability	**5,524**	(8,605)
Adjusted working capital (deficit)	**$ (679,495)**	$ 124,667

Net Debt

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

	As at December 31,	
(000s)	**2023**	**2022**
Bank debt	**$ (651,594)**	$ (170,767)
Senior unsecured notes	**(448,643)**	(448,342)
Adjusted working capital (deficit)	**(679,495)**	124,667
Net debt	**$(1,779,732)**	$ (494,442)

SELECTED QUARTERLY INFORMATION

	2023				2022			
($000s, unless otherwise noted)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
PRODUCTION								
Natural gas *(mcf)*	**233,973,042**	213,285,116	209,876,924	222,277,213	218,634,600	206,138,993	213,277,064	212,484,691
Oil, condensate and NGL *(bbls)*	**12,244,630**	10,684,682	10,149,148	10,286,198	10,627,244	9,978,028	10,221,120	10,221,181
Oil equivalent *(boe)*	**51,240,044**	46,232,201	45,128,638	47,332,400	47,066,350	44,334,527	45,767,297	45,635,296
Natural gas *(mcf/d)*	**2,543,185**	2,318,316	2,306,340	2,469,747	2,376,463	2,240,641	2,343,704	2,360,941
Oil, condensate and NGL *(bbls/d)*	**133,093**	116,138	111,528	114,291	115,513	108,457	112,320	113,569
Oil equivalent *(boe/d)*	**556,957**	502,524	495,918	525,916	511,590	481,897	502,937	507,059
FINANCIAL								
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	**1,658,883**	1,587,929	1,436,601	2,023,584	2,176,463	1,743,856	2,108,834	1,713,684
Cash flow from operating activities	**1,012,819**	882,814	972,384	1,538,075	1,115,399	1,112,202	1,351,481	1,113,649
Per diluted share	**2.90**	2.56	2.83	4.48	3.24	3.24	3.95	3.29
Cash flow [1]	**918,008**	878,532	784,008	1,127,135	1,402,647	1,051,400	1,353,926	1,075,976
Per diluted share	**2.62**	2.55	2.28	3.28	4.08	3.06	3.95	3.18
Net earnings (loss)	**700,202**	274,687	510,671	250,320	(30,366)	2,097,929	1,743,547	675,939
Per basic share	**2.02**	0.81	1.51	0.74	(0.09)	6.23	5.20	2.03
Per diluted share	**2.00**	0.80	1.49	0.73	(0.09)	6.11	5.09	1.99
Total assets	**20,097,375**	17,788,561	17,681,175	18,025,514	18,893,041	20,051,706	17,473,014	16,037,859
Working capital (deficit)	**(298,280)**	(161,167)	223,317	161,663	809,449	513,115	(132,556)	(672,285)
Adjusted working capital (deficit) [1]	**(679,495)**	(431,232)	(204,071)	(260,949)	124,667	(116,371)	29,500	(154,563)
Capital expenditures [1]	**635,987**	565,448	277,317	594,497	505,982	415,447	478,545	479,373
Dividends paid	**439,134**	428,505	596,908	762,320	845,834	748,480	577,854	481,080
Total outstanding shares *(000s)*	**351,351**	340,544	339,410	339,047	338,685	337,765	335,914	334,157
PER UNIT								
Natural *gas ($/mcf)*	**4.25**	4.56	4.31	6.18	6.89	5.37	6.31	4.86
Oil and NGL *($/bbl)*	**54.29**	57.68	52.42	63.16	63.01	63.77	74.63	66.54
Revenue *($/boe)*	**32.37**	34.35	31.83	42.75	46.24	39.33	46.08	37.55
Operating netback *($/boe)* [1]	**19.80**	21.61	19.23	28.08	30.56	23.68	29.70	23.99

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

SELECTED ANNUAL INFORMATION

($000s unless otherwise noted)	**2023**	**2022**	**2021**
PRODUCTION			
Natural gas *(mcf)*	**879,412,295**	850,535,422	753,161,179
Oil, condensate and NGL *(bbls)*	**43,364,660**	41,047,693	35,480,202
Oil equivalent *(boe)*	**189,933,376**	182,803,597	161,007,066
Natural gas *(mcf/d)*	**2,409,349**	2,330,234	2,063,455
Oil, condensate and NGL *(bbls/d)*	**118,808**	112,460	97,206
Oil equivalent *(boe/d)*	**520,366**	500,832	441,115
FINANCIAL			
Total revenue from commodity sales and premium (loss) on risk management activities and realized gain (loss) on financial instruments	**6,706,997**	7,742,837	4,669,263
Cash flow from operating activities	**4,406,092**	4,692,731	2,847,117
Per diluted share	**12.76**	13.70	8.99
Cash flow [(1)]	**3,707,683**	4,883,949	2,929,126
Per diluted share	**10.73**	14.26	9.25
Net earnings attributable to shareholders of the Company	**1,735,880**	4,487,049	2,025,991
Per basic share	**5.09**	13.37	6.49
Per diluted share	**5.03**	13.10	6.40
Total assets	**20,097,375**	18,893,041	15,292,093
Working capital (deficit)	**(298,280)**	809,449	(361,034)
Adjusted working capital (deficit) [(1)]	**(679,495)**	124,667	(103,405)
Capital expenditures [(1)]	**2,073,249**	1,879,347	1,590,371
Dividends paid	**2,226,867**	2,653,248	468,555
Basic outstanding shares *(000s)*	**351,351**	338,685	330,860
PER UNIT			
Natural gas *($/mcf)*	**4.83**	5.87	3.94
Oil and NGL *($/bbl)*	**56.79**	66.97	47.89
Revenue *($/boe)*	**35.31**	42.36	29.00
Operating netback *($/boe)* [(1)]	**22.17**	27.04	18.57

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

The oil and gas exploration and production industry is cyclical. The Company's financial position, results of operations and cash flows are principally impacted by production levels and commodity prices, particularly natural gas prices.

On an annual basis, the Company has had continued production growth over the last three years. The Company's average annual production has increased from 441,115 boe per day in 2021 to 500,832 boe per day in 2022 and 520,366 boe per day in 2023. The production growth can be attributed primarily to the Company's exploration and development activities, and from acquisitions of producing properties.

The Company's cash flow was $2.9 billion in 2021, $4.9 billion in 2022 and $3.7 billion in 2023. The increase in 2022 cash flow over 2021 reflects significant increases in commodity prices and production volumes. The decreases in commodity prices, partially offset by increased production volumes resulted in lower cash flow in 2023.

Commodity price fluctuations can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenue and cash flow available for exploration, and also the economics of potential capital projects as low (high) commodity prices can potentially reduce (increase) the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flow generated from operations.

MANAGEMENT'S REPORT

To the Shareholders of Tourmaline Oil Corp.:

The accompanying consolidated financial statements of Tourmaline Oil Corp. and all the information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management has established systems of internal controls, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. It exercises its responsibilities primarily through the Audit Committee, with some assistance from the Reserves Committee regarding the annual evaluation of the Company's petroleum and natural gas reserves. The Audit Committee has reviewed the consolidated financial statements with management and the auditors, and has reported to the Board of Directors. The external auditors have access to the Audit Committee without the presence of management.

The consolidated financial statements have been audited on behalf of the shareholders by KPMG LLP, the external auditors. Their examination included such tests and procedures, as they considered necessary, to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The Board of Directors has approved the consolidated financial statements.

(signed)	*(signed)*
Michael L. Rose	Brian G. Robinson
President and Chief Executive Officer	*Chief Financial Officer*
Calgary, Alberta	Calgary, Alberta

March 6, 2024

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tourmaline Oil Corp.

Opinion

We have audited the consolidated financial statements of Tourmaline Oil Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flow for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance IFRS Accounting Standards as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and probable oil and gas reserves on depletion expense

Description of the matter

We draw attention to note 1, note 2 and note 6 to the financial statements. The Company depletes its net carrying value of oil and natural gas interests, excluding plants and facilities, using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. The Company recorded depletion expense related to its oil and gas interests of $1.3 billion for the year ended December 31, 2023.

The estimate of proved and probable oil and gas reserves includes assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engages independent third-party reserve evaluators to estimate the proved and probable oil and gas reserves and the related cash flows.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on depletion expense as a key audit matter. Significant auditor judgement was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the related cash flows.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed the depletion expense calculation for compliance with IFRS Accounting Standards as issued by the IASB.

With respect to the estimate of proved and probable oil and gas reserves:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared the forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the 2023 actual production, operating costs, royalty costs and future development costs of the Company to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Company's ability to accurately forecast

We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2023 actual results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

Evaluation of the acquisition-date fair value of property, plant and equipment of Bonavista Energy Corp.

Description of the matter

We draw attention to note 1, note 2, note 3 and note 6 to the financial statements. The Company acquired all of the issued and outstanding shares of Bonavista Energy Corp. ("Bonavista") on November 17, 2023 (the "acquisition date") for a total purchase price of $1,340.2 million. In connection with the transaction, the Company recorded property, plant and equipment ("PP&E") with an acquisition-date fair value of $1,678.4 million.

The estimated acquisition-date fair value of the PP&E involves significant estimates, including:

- The estimate of proved and probable oil and gas reserves and the related cash flows
- The discount rates.

The estimate of proved and probable oil and gas reserves and the related cash flows requires the expertise of independent third-party reserve evaluators and includes assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The estimated acquisition-date fair value of the PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2022 by independent third-party reserve evaluators engaged by Bonavista and updated by internal reserve evaluators to reflect activity to the acquisition date.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of PP&E of Bonavista as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the related cash flows and the discount rates.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2022:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators
- We compared the 2022 actual production, operating costs, royalty costs and future development costs to those estimates used in the 2021 estimate of proved oil and gas reserves and the related cash flows
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2022 actual results. We took into account changes in conditions and events affecting Bonavista to assess the adjustments or lack of adjustments in arriving at the assumptions.

With respect to the estimate of proved and probable oil and gas reserves and related cash flows as at the acquisition date:

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluators
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to historical results. We took into account changes in conditions and events to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Company's discount rates by comparing the discount rates to market and other external data

- Assessing the reasonableness of the Company's estimate of the acquisition-date fair value of PP&E by comparing the Company's estimate to market metrics and other external data.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.
We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Brad William Robertson.

(signed) "KPMG LLP"
Chartered Professional Accountants

Calgary, Canada

March 6, 2024

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,	
(000s)	**2023**	**2022**
Assets		
Current assets:		
Accounts receivable	**$ 731,057**	$ 1,093,876
Prepaid expenses and deposits	**87,903**	63,872
Fair value of financial instruments *(notes 3 and 4)*	**476,446**	1,087,309
Total current assets	**1,295,406**	2,245,057
Long-term asset	**2,107**	2,788
Fair value of financial instruments (*notes 3 and 4*)	**719,538**	1,192,973
Exploration and evaluation assets *(note 5)*	**231,904**	289,050
Property, plant and equipment *(note 6)*	**17,214,632**	14,505,182
Right-of-use asset (*note 7*)	**25,760**	9,762
Investment in Topaz (*note 11)*	**608,028**	648,229
Total Assets	**$20,097,375**	$18,893,041
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,101,295**	$ 1,012,542
Fair value of financial instruments *(notes 3 and 4)*	**38,911**	378,023
Lease liabilities (*note 7*)	**5,796**	3,109
Decommissioning obligations *(note 8)*	**45,000**	30,000
Income tax payable	**402,684**	11,934
Total current liabilities	**1,593,686**	1,435,608
Fair value of financial instruments *(notes 3 and 4)*	**27,506**	125,776
Lease liabilities (*note 7*)	**20,509**	7,046
Decommissioning obligations *(note 8)*	**922,041**	537,053
Bank debt *(note 9)*	**651,594**	170,767
Senior unsecured notes (*note 10*)	**448,643**	448,342
Deferred taxes *(note 14)*	**2,417,645**	2,481,596
Shareholders' equity:		
Share capital *(note 12)*	**8,487,838**	7,725,189
Contributed surplus	**345,570**	288,334
Retained earnings	**5,182,343**	5,673,330
Total shareholders' equity	**14,015,751**	13,686,853
Total Liabilities and Shareholders' Equity	**$20,097,375**	$18,893,041

Commitments (note 21) and Subsequent events (note 4).

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors of Tourmaline Oil Corp.:

(signed)
Jill T. Angevine, Director

(signed)
Andrew B. MacDonald, Director

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(000s) except per-share amounts	**Years Ended December 31, 2023**	**2022**
Commodity sales from production (*note 13*)	**$ 5,351,253**	$ 8,110,837
Premium on risk management activities (*note 13*)	**811,263**	517,109
Marketing revenue (*note 13*)	**79,724**	49,702
Royalties	**(638,419)**	(1,115,549)
Other income *(note 17)*	**47,428**	53,412
Realized gain (loss) on financial instruments	**544,481**	(885,109)
Unrealized gain (loss) on financial instruments *(note 4)*	**(658,200)**	2,100,989
	5,537,530	8,831,391
Expenses:		
Operating	**857,173**	785,611
Transportation	**1,000,570**	898,871
Marketing purchases *(note 13)*	**30,006**	43,326
General and administration	**128,226**	103,374
Share-based payments *(note 16)*	**50,298**	28,731
Depletion, depreciation and amortization *(notes 5, 6 and 7)*	**1,303,444**	1,184,516
Realized foreign exchange (gain) loss	**15,032**	(5,940)
Unrealized foreign exchange (gain) loss	**5,524**	(8,605)
Income on investment in Topaz (*note 11*)	**(14,881)**	(34,358)
Gain on acquisitions and divestitures	**(82,204)**	(121,954)
Total expenses	**3,293,188**	2,873,572
Income from operations	**2,244,342**	5,957,819
Finance expenses *(note 18)*	**64,968**	51,527
Income before taxes	**2,179,374**	5,906,292
Current tax expense *(note 14)*	**431,298**	11,934
Deferred tax expense *(note 14)*	**12,196**	1,407,309
Net income and comprehensive income	**$ 1,735,880**	$ 4,487,049
Net income per share *(note 15)*		
Basic	**$ 5.09**	$ 13.37
Diluted	**$ 5.03**	$ 13.10

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(000s)	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2022	$ 7,725,189	$ 288,334	$ 5,673,330	$ 13,686,853
Issue of common shares on corporate acquisitions (*notes 6 and 12)*	689,176	–	–	689,176
Share-based payments	–	50,298	–	50,298
Capitalized share-based payments (*note 6*)	–	34,888	–	34,888
Options exercised (*note 12*)	73,473	(16,099)	–	57,374
Restricted share units settled (*note 16*)	–	(5,689)		(5,689)
Share-based payments – other *(note 14)*	–	(6,162)	–	(6,162)
Dividends paid (*note 12*)	–	–	(2,226,867)	(2,226,867)
Net income and comprehensive income	–	–	1,735,880	1,735,880
Balance at December 31, 2023	**$ 8,487,838**	**$ 345,570**	**$ 5,182,343**	**$ 14,015,751**

(000s)	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2021	$ 7,482,534	$ 284,289	$ 3,839,529	$ 11,606,352
Share-based payments	–	28,731	–	28,731
Capitalized share-based payments (*note 6*)	–	21,670	–	21,670
Share-based payments – other *(note 14)*	–	7,057	–	7,057
Options exercised (*note 12*)	242,655	(53,413)	–	189,242
Dividends paid (*note 12*)	–	–	(2,653,248)	(2,653,248)
Net income and comprehensive income	–	–	4,487,049	4,487,049
Balance at December 31, 2022	**$ 7,725,189**	**$ 288,334**	**$ 5,673,330**	**$ 13,686,853**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years Ended December 31,	
(000s)	**2023**	**2022**
Cash provided by (used in):		
Operations:		
Net income	**$ 1,735,880**	$ 4,487,049
Items not involving cash:		
Depletion, depreciation and amortization	**1,303,444**	1,184,516
Accretion (*note 8*)	**19,362**	21,153
Lease interest expense (*note 7*)	**840**	319
Share-based payments (*note 16*)	**50,298**	28,731
Current tax expense (*note 14*)	**431,298**	11,934
Deferred tax expense (*note 14*)	**12,196**	1,407,309
Unrealized (gain) loss on financial instruments (*note 4*)	**658,200**	(2,100,989)
Unrealized foreign exchange (gain) loss	**5,524**	(8,605)
Other non-cash items	**681**	985
Gain on acquisitions and divestitures	**(82,204)**	(121,954)
Income from investment in Topaz (*note 11*)	**(14,881)**	(34,358)
Decommissioning expenditures (*note 8*)	**(31,050)**	(32,995)
Cash taxes paid	**(40,548)**	–
Cash paid on restricted share units settled	**(5,689)**	–
Dividends received from Topaz (*note 11*)	**55,082**	52,788
Changes in non-cash operating working capital *(note 20)*	**307,659**	(203,152)
Total cash flow from operating activities	**4,406,092**	4,692,731
Financing:		
Issue of common shares	**57,374**	189,242
Lease payments (*note 7*)	**(5,743)**	(3,692)
Dividends paid (*note 12*)	**(2,226,867)**	(2,653,248)
Increase (decrease) in bank debt (*note 9*)	**371,203**	(254,211)
Increase in senior unsecured notes (*note 10*)	**301**	307
Total cash flow used in financing activities	**(1,803,732)**	(2,721,602)
Investing:		
Property, plant and equipment (*note 6*)	**(2,022,502)**	(1,676,993)
Property acquisitions (*note 6*)	**(58,536)**	(273,843)
Proceeds from divestitures (*note 6*)	**7,789**	71,489
Corporate acquisitions *(note 6)*	**(650,986)**	(67,770)
Changes in non-cash investing working capital *(note 20)*	**121,875**	(24,012)
Total cash flow used in investing activities	**(2,602,360)**	(1,971,129)
Changes in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	**$ –**	$ –

Cash is defined as cash and cash equivalents.

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Corporate Information:

Tourmaline Oil Corp. (the "Company") was incorporated under the laws of the Province of Alberta on July 21, 2008. The Company's registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 1G1. The Company is engaged in the acquisition, exploration, development and production of oil and natural gas properties.

These consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of Tourmaline Oil Corp., and its 100% owned subsidiaries Tourmaline Oil Marketing Corp and Bonavista Energy Corporation ("Bonavista").

On January 1, 2024, the Company's newly acquired subsidiary, Bonavista, was amalgamated with Tourmaline.

OPERATING ENVIRONMENT

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

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the above noted factors, the Company is unable, at this time, to predict its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

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

CLIMATE CHANGE AND ENVIRONMENTAL REGULATION

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

Regulatory Update

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

If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. The Company continues to monitor the evolving ESG regulations and its potential impact on the Company.

Sustainability Reporting

The Company publishes an annual Sustainability Report containing comprehensive information relating to ESG performance which can be found on the Company's website at https://sustainability.tourmalineoil.com/.

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

Impact of climate change and related events on amounts recorded in the 2023 financial statements

(i) Impairment

The Company has considered the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment of impairment on its oil and gas properties, as a possible indicator of impairment.

(ii) Reserves

The Company engages third party external reserve engineer consultants to prepare the Company's reserve report. The reserve report includes anticipated impacts from emissions related taxes, most notably the reserve report includes estimated carbon tax related to the Company's operations.

1. BASIS OF PREPARATION

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the IASB.

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2024.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical-cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed in note 3.

Operating expenses in the consolidated statements of income and comprehensive income are presented as a combination of function and nature in conformity with industry practice. Depletion, depreciation, amortization and impairment are presented in separate lines by their nature, while operating expenses and net administrative expenses are presented on a functional basis. Significant expenses are presented by their nature in the notes to the financial statements.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is Canadian dollars other than Tourmaline Oil Marketing Corp. which has a functional currency of US dollars.

(d) Use of judgements and estimates:

The timely preparation of the consolidated financial statements requires management to use judgements, estimates and assumptions. These judgements, estimates and assumptions are subject to change and could differ from actual results. The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies are discussed below.

Critical judgements in applying accounting policies:

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most material effect on the amounts recognized in these consolidated financial statements:

(i) Identification of cash-generating units:

The Company's assets are aggregated into cash-generating units ("CGU") for the purpose of calculating depletion and impairment. A CGU is comprised of assets that are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

(ii) Impairment of petroleum and natural gas assets:

Judgements are required to assess when internal or external indicators of impairment exist, and impairment testing is required. Management considers internal and external sources of information including forecasted oil and gas commodity prices, expected production volumes, anticipated recoverable quantities of proved and probable oil and gas reserves and rates used to discount the related future cash flow estimates. Judgement is required to assess these internal and external factors when determining if the carrying amount of an asset or CGU is impaired.

(iii) Exploration and evaluation assets:

The application of the Company's accounting policy for exploration and evaluation ("E&E") assets requires management to make certain judgements as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

(iv) Embedded derivatives:

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

(v) Deferred taxes:

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Key sources of estimation uncertainty:

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

(i) Reserves:

Estimates of proved and probable oil and gas reserves and the related cash flows are subject to assumptions regarding forecasted production, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological, and technical factors used to estimate proved and probable oil and gas reserves may change from period to period. Changes in reported proved and probable oil and gas reserves can impact the carrying values of the Company's oil and gas interests (included in property, plant and equipment), the calculation of depletion expense, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The Company engages independent third-party reserve evaluators to estimate the proved and probable oil and gas reserves and related cash flows at least annually.

The Company's proved and probable oil and gas reserves represent the estimated quantities of oil, natural gas and NGLs which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such proved and probable oil and gas reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proved and probable if producibility is supported by either production or conclusive formation tests. The Company's proved and probable oil and gas reserves are determined in accordance with the standards contained in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook.

(ii) Business combinations:

In a business combination, management makes estimates of the acquisition-date fair value of assets acquired and liabilities assumed which includes assessing the estimated fair value of petroleum and natural gas properties (included in property, plant and equipment) derived from estimated recoverable quantities of proved and probable oil and gas reserves and the related cash flows being acquired.

(iii) Decommissioning obligations:

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iv) Embedded Derivatives:

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

(v) Deferred taxes:

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

2. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

(a) Consolidation:

The consolidated financial statements include the accounts of Tourmaline Oil Corp., Tourmaline Oil Marketing Corp. and Bonavista.

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(iii) Jointly-owned assets:

Substantially all of the Company's oil and natural gas activities involve jointly-owned assets. The consolidated financial statements include the Company's share of these jointly-owned assets and a proportionate share of the relevant revenue and related costs.

(b) Foreign Currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated into the respective entity's functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction. Translation gains and losses are included in earnings in the period in which they arise.

(ii) Foreign Operations:

In preparing the Company's consolidated financial statements, the financial statements of each entity are translated into Canadian dollars. The assets and liabilities of foreign operations are translated at the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated at the exchange rates that approximate those dates of the transactions.

Foreign currency differences are recognized in other comprehensive income ("OCI") and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

(c) Business Combinations:

The purchase method of accounting is used to account for acquisitions of businesses and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values. If the consideration of acquisition given up is less than the fair value of the net assets received, the difference is recognized immediately in the income statement. If the consideration of acquisition is greater than the fair value of the net assets received, the difference is recognized as goodwill on the statement of financial position. Acquisition costs incurred are expensed.

There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. 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.

(d) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, deposits, bank debt, senior unsecured notes and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly-liquid investments with original maturities of three months or less, and are measured at amortized cost.

Other:

Other non-derivative financial instruments, such as accounts receivable, deposits, bank debt, senior unsecured notes and accounts payable and accrued liabilities, are measured at amortized cost using the effective interest method, less any impairment losses. The bank debt has a floating rate of interest and therefore the carrying value approximates the fair value. The senior unsecured notes are carried at amortized cost.

(ii) Derivative financial instruments:

The Company has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices, interest rates and foreign exchange rates. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred.

The Company has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements on these physical sales contracts are recognized in commodity sales from production and premium (loss) on risk management activities.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(iv) Interests in equity-accounted investees:

The Company's interests in equity-accounted investees comprises its ownership interest in its associate, Topaz.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and dividends paid of equity accounted investees, until the date on which significant influence ceases.

(e) Property, plant and equipment and intangible exploration assets:

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in the statement of operations as incurred.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration licence or field is carried out, at least annually, to ascertain whether proven or probable reserves have been discovered. Upon determination of proved and/or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property, plant and equipment referred to as oil and gas interests. The cost of undeveloped land that expires or any impairment recognized during a period is charged as additional depletion and depreciation expense.

Development and production costs:

Items of property, plant and equipment, which include oil and gas interests, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. The Company allocated its property, plant and equipment to the following CGUs: 'Deep Basin', 'Spirit River' and 'BC Montney'. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and gas interests, are measured as the difference between the fair value of the proceeds received or given up and the carrying value of the assets disposed, and are recognized in profit or loss.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment, including oil and gas interests are recognized in profit or loss as incurred.

(iii) Depletion and depreciation:

The Company depletes its net carrying value of oil and gas interests, excluding plants and facilities, using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production.

The Company engages an independent third-party reserve evaluator to estimate the proved and probable oil and gas reserves at least annually. Proved and probable oil and gas reserves represent the estimated quantities of crude oil, condensate, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. For interim consolidated financial statements, internal estimates of changes in reserves and forecasted future development costs are used for determining depletion for the period.

For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful life for plants and facilities is 30 years. Undeveloped land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, then the asset's or CGUs recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives, or that are not yet available for use, an impairment test is completed each year. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped into CGUs. The estimated recoverable amount of an asset or a CGU is the greater of its value in use or its fair value less costs to sell.

In assessing the value in use, proved and probable oil and gas reserves, and the related cash flows, are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The forecasted oil and gas commodity prices used in the impairment test are based on period-end forecasted oil and gas commodity prices estimated by the Company's independent third-party reserve evaluators.

The goodwill acquired in an acquisition, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination. E&E assets are allocated to the related CGUs when they are assessed for impairment, both at the time of triggering facts and circumstances as well as upon their eventual reclassification to property, plant and equipment.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the assets in the unit (group of units) on a pro-rata basis. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the estimated recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money. Provisions are not recognized for future operating losses.

(i) Decommissioning obligations:

The Company recognizes the decommissioning obligations for the future costs associated with removal, site restoration and decommissioning costs. The Company's decommissioning obligation is recorded in the period in which it is incurred, discounted to its present value using the risk-free interest rate and the corresponding amount recognized by increasing the carrying amount of petroleum and natural gas assets. The asset recorded is depleted on a unit-of-production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the decommissioning obligation are charged against the obligation to the extent of the liability recorded.

(h) Revenue recognition:

Revenue from the sale of crude oil, condensate, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer. The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(i) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred-tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred-tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred-tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based payments:

The Company applies the fair-value method for valuing share option grants. Under this method, compensation cost attributable to all share options granted are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of the share options, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The fair-value method is also used for valuing restricted share units (“RSU”) granted. Under this method, compensation cost attributable to all share units granted are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of units that vest. At the time the restricted units vest, the Company will purchase common shares on the open market to be distributed to the RSU holder and is recorded as a decrease to contributed surplus.

(k) Per-share information:

Basic per-share information is computed by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period. The treasury-stock method is used to determine the diluted per share amounts, whereby any proceeds from the share options, warrants or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

3. 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.

(i) Property, plant and equipment and intangible exploration assets:

The acquisition date fair value of property, plant and equipment recognized in a business combination, is based on fair value. The fair value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The estimated acquisition-date fair value of the property, plant and equipment involves estimates including the estimate of proved and probable oil and gas reserves, the related cash flows and the discount rates. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

(ii) Cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, income tax payable, bank debt and senior unsecured notes:

The fair value of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities is estimated as the present value of future cash flow, discounted at the market rate of interest at the reporting date. At December 31, 2023 and December 31, 2022, the fair value of these balances approximated their carrying value due to their short term to maturity. Bank debt bears interest at a floating market rate with applicable variable margins, and accordingly the fair market value approximates the carrying amount. The fair value of the senior unsecured notes is determined based on the market prices.

(iii) Derivatives:

The fair value of financial commodity price risk management contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

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

(iv) Share based payments:

The fair value of share options is measured using a Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), expected forfeitures, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The fair value of RSUs is measured using the share price at the date of the grant.

(v) Measurement:

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 necessarily based on observable market data.

The following tables provide fair value measurement information for financial assets and liabilities as of December 31, 2023 and December 31, 2022. The carrying value of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities included in the consolidated statement of financial position approximate fair value due to the short-term nature of those instruments. These assets and liabilities are not included in the following tables.

	As at December 31, 2023	
(000s)	**Carrying Amount**	**Fair Value**
Financial assets:		
Commodity price risk contracts [1]	**$ 329,552**	**$ 329,552**
Natural gas embedded derivatives [2]	**866,432**	**866,432**
Financial liabilities:		
Bank debt	**651,594**	**651,594**
Senior unsecured notes	**448,643**	**410,368**
Commodity price risk contracts [1]	**57,079**	**57,079**
Natural gas embedded derivatives [2]	**$ 9,338**	**$ 9,338**

(1) Commodity price risk contracts are fair valued using Level 2 information.
(2) Natural gas embedded derivatives are fair valued using Level 3 information.

	As at December 31, 2022	
(000s)	**Carrying Amount**	**Fair Value**
Financial assets:		
Commodity price and foreign exchange rate risk contracts [1]	$ 234,959	$ 234,959
Natural gas embedded derivatives [2]	2,045,323	2,045,323
Financial liabilities:		
Bank debt	170,767	170,767
Senior unsecured notes	448,342	394,280
Commodity price and foreign exchange rate risk contracts [1]	$ 503,799	$ 503,799

(1) Commodity price, interest rate and foreign exchange rate risk contracts are fair valued using Level 2 information.
(2) Natural gas embedded derivatives are fair valued using Level 3 information.

4. 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.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from jointly-owned assets and oil and natural gas marketers. As at December 31, 2023, Tourmaline's receivables consisted of $667.8 million from oil and natural gas marketers and financial institutions (December 31, 2022 - $1.0 billion), $36.6 million from partners in jointly-owned assets (December 31, 2022 - $40.3 million), and $26.6 million from provincial governments (December 31, 2022 - $23.1 million).

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company sells a significant portion of its oil and gas to a limited number of counterparties. In 2023, Tourmaline had one counterparty (2022 – one) that individually accounted for more than ten percent of annual revenues. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with creditworthy purchasers. Tourmaline historically has not experienced any collection issues with its oil and natural gas marketers. Receivables from partners are typically collected within one to three months of the bill being issued to the partner. The Company attempts to mitigate the risk from receivables with partners by obtaining partner approval of significant capital expenditures prior to the expenditure. The receivables, however, are from participants in the oil and natural gas sector, and collection of the outstanding balances are dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint asset partners as disagreements occasionally arise that increase the potential for non-collection. To further mitigate collection risk, the Company has the ability to obtain the partners' share of capital expenditures in advance of a project. The Company does not typically obtain collateral from oil and natural gas marketers or joint asset partners; however, the Company does have the ability to withhold production from partners in the event of non-payment.

The Company monitors the age of, and investigates issues behind, its receivables that have been past due for over 90 days. At December 31, 2023, the Company has $6.1 million (December 31, 2022 - $3.2 million) over 90 days. The Company is satisfied that these amounts are substantially collectible.

The carrying amount of cash and cash equivalents, accounts receivable, deposits and commodity price risk management contracts represents the maximum credit exposure. The Company has not recorded an expected credit loss as at December 31, 2023 (December 31, 2022 - nil) nor was it required to write-off any receivables during the year ended December 31, 2023 (December 31, 2022 – nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. Liquidity risk is mitigated by cash on hand, when available, and access to credit facilities.

The Company's accounts payable and accrued liabilities balance at December 31, 2023 is $1.1 billion (December 31, 2022 - $1.0 billion). It is the Company's policy to pay suppliers within 45-75 days. These terms are consistent with industry practice. As at December 31, 2023, substantially all of the account payable balances were less than 90 days.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas revenues on the 25th of each month.

The following are the contractual maturities of financial liabilities, including estimated interest payments, at December 31, 2023:

(000s)	Carrying Amount	Contractual Cash Flow	Less Than One Year	One to Two Years	Two to Five Years	More Than Five Years
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	$ 1,101,295	$ 1,101,295	$ 1,101,295	$ –	$ –	$ –
Income tax payable	402,684	402,684	402,684	–	–	–
Bank debt [1]	651,594	897,000	–	–	897,000	–
Senior unsecured notes [2]	448,643	497,666	10,378	10,378	276,299	200,611
Derivative financial liabilities:						
Financial commodity contracts	57,079	57,079	29,573	6,431	13,153	7,922
Natural gas embedded derivatives	9,338	9,338	9,338	–	–	–
	$ 2,670,633	**$ 2,965,062**	**$ 1,553,268**	**$ 16,809**	**$ 1,186,452**	**$ 208,533**

(1) Includes interest expense at 6.77% being the rate applicable to outstanding debt on the credit facility at December 31, 2023 and interest paid at the maturity of the facility.

(2) Includes interest expense at 2.31% being the average rate applicable on the senior unsecured notes at December 31, 2023 with interest payments made semi-annually.

(c) Market risk:

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates and foreign exchange rates will affect the Company's net income or value of financial instruments. The objective of market risk management is to manage and curtail market risk exposure within acceptable limits, while maximizing the Company's returns.

The Company utilizes both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

Currency risk is the risk that cash flows will fluctuate as a result of changes in the exchange rate between the US and Canadian dollar. The Company is exposed to currency risk as a result of its sales point diversification strategy whereby the Company sells to US markets and receives US dollars. The Company mitigates this risk by entering into foreign currency swaps in order to protect itself from large movements in the US to Canadian dollar exchange rate. Changes in the US to Canadian dollar exchange rate could also influence future oil and natural gas prices which could impact the value of certain derivative contracts. There were no currency swaps in place at December 31, 2023.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact the Company's bank debt which is subject to a floating interest rate. Assuming all other variables remain constant, an increase or decrease of 1% in market interest rates for the year ended December 31, 2023 would have decreased or increased shareholders' equity and net income by $5.6 million (December 31, 2022 - $6.1 million). The realized loss on the interest rate swap has been included in finance expenses on the consolidated statement of income and comprehensive income.

Commodity price risk is the risk that the fair value or future cash flow will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are based upon the US dollar and as a result the price received by Canadian producers is affected by the Canadian to US dollar exchange rate. The commodity prices are also impacted by world economic events that dictate the levels of supply and demand. As at December 31, 2023, the Company has entered into certain financial derivative and physical delivery sales contracts in order to manage commodity 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. As a result, all such financial commodity contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of income and comprehensive income. The Company has not offset any financial assets and liabilities, in the consolidated statements of financial position.

The Company has the following financial commodity derivative contracts in place as at December 31, 2023 (1):

		2024	2025	2026	2027	2028	Fair Value *(000s)*
Gas							
AECO swaps (2)	*mmbtu/d*	18,917	–	–	–	–	$ 2,822
	CAD$/mmbtu	$ 2.26					
NYMEX swaps	*mmbtu/d*	110,000	70,000	60,000	20,000	–	$ 92,291
	USD$/mmbtu	$ 3.83	$ 4.12	$ 4.14	$ 4.36		
International swaps	*mmbtu/d*	30,194	17,932	–	–	–	$ 185,551
	USD$/mmbtu	$ 20.86	$ 19.07				
Basis differentials - other	*mmbtu/d*	32,473	–	–	–	–	$ (17,658)
	USD$/mmbtu	$ 0.21					
AECO financial collars	*mmbtu/d*	3,535	–	–	–	–	$ 611
	CAD$/mmbtu	$2.41-2.85					
Call options (writer) (3)	*mmbtu/d*	40,000	20,000	50,000	70,000	62,500	$ (26,960)
	USD$/mmbtu	$ 6.50	$ 8.50	$ 9.20	$ 8.43	$ 8.56	

		2024	2025	2026	2027	2028	Fair Value *(000s)*
Oil							
Financial swaps	*bbls/d*	13,497	496	–	–	–	$ 42,191
	USD$/bbl	$ 77.43	$ 78.70				
Financial swaps	*bbls/d*	249	–	–	–	–	$ (2,889)
	CAD$/bbl	$ 63.95					
NYMEX call options	*bbls/d*	4,249	496	–	–	–	$ (6,676)
	USD$/bbl	$ 81.02	$ 78.70				
Propane financial swaps (4)	*bbls/d*	4,808	–	–	–	–	$ 3,190
	USD$/bbl	$ 37.11					
Total fair value							$ 272,473

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

(2) These deals are 7A underlying.

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

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

The Company's financial commodity contracts are sensitive to fluctuations in commodity prices. For the commodity contracts in place at December 31, 2023, if the future strip prices for oil were US $1.00 per bbl higher and prices for natural gas were US $0.10 per mcf higher, with all other variables held constant, the unrealized loss would increase by $42.3 million, directly impacting pre-tax earnings (December 31, 2022 - $39.1 million decrease in the unrealized gain). An equal and opposite impact would have occurred if oil prices were US $1.00 per bbl lower and gas prices were US $0.10 per mcf lower.

The Company entered into the following financial commodity derivative contracts subsequent to December 31, 2023:

Type of Contract	Quantity	Time Period	Contract Price
NYMEX call option	40,000 mmbtu/d	January 2025 – December 2025	$5.00 USD/mmbtu
Financial swaps – propane	4,576 bbls/d	February 2024 – March 2025	$31.76 USD/bbl

Subsequent to December 31, 2023, the Company entered into a JKM netback agreement based on 62,500 mmbtu/d of natural gas for a seven-year term beginning January 1, 2027.

The Company has no financial foreign currency derivative contracts in place at December 31, 2023.

The Company entered into the following foreign currency derivative contracts subsequent to December 31, 2023:

Type of Contract		2024
Collar	$USD(000s) Monthly	$30,000
	$CAD/$USD	$1.3250 - $1.3979
Average rate forward	$USD(000s) Monthly	$5,000
	$CAD/$USD	$1.3510

The Company has a 15-year natural gas supply agreement, under which Tourmaline will deliver 140,000 mmbtu/d (approximately 140,000 mcf/d), which commenced in January 2023. Under the terms of the agreement, Tourmaline will deliver natural gas to its counterparty at a delivery point in Louisiana, USA and receive a Japan Korea Marker ("JKM") index price less deductions for transport and liquefication. Due to the fact that the volumes are delivered to a counterparty in the United States, but Tourmaline ultimately receives a JKM index price, it was determined that the agreement also contained an embedded derivative as a result of the pricing spread between JKM and NYMEX. The Company defined the host contract as a natural gas sales contract with an underlying natural gas price of NYMEX.

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

The Company will have unrealized gains (losses) on the JKM natural gas supply agreement embedded derivative based on the movements in the forecasted JKM and NYMEX prices. For the twelve months ended December 31, 2023, the JKM natural gas supply agreement embedded derivative resulted in an unrealized loss of $1.2 billion as a result of the weakening of the forecast JKM price relative to the forecast NYMEX price (twelve months ended December 31, 2022 – unrealized gain of $2.0 billion). At December 31, 2023, the Company recorded a level 3 fair value of the JKM natural gas supply agreement embedded derivative of $835.6 million.

The following table includes quantitative information for the unobservable inputs for the Level 3 natural gas embedded derivative as at December 31, 2023:

	Fair value asset (millions)	Valuation Approach	Significant unobservable input	Range of significant unobservable inputs/weighted average ($USD/mmbtu)
Natural gas embedded derivative	$835.6	Market approach incorporating present value techniques	JKM index pricing spread relative to NYMEX	$7.25 - $11.21 / $8.56

The Level 3 fair value measurements of the JKM natural gas supply agreement embedded derivative could be materially impacted by a change in the discount rate and significant movements in natural gas prices. At December 31, 2023, a change in the discount rate or a change in the price of the JKM index over the 15-year contract would have the following impact on the fair value of the JKM natural gas supply agreement embedded derivative:

(000s)	Discount rate		JKM Price	
	1% Increase	1% decrease	5% Increase	5% decrease
Fair value – increase (decrease)	$ (22,221)	$ 23,624	$ 147,321	$ (147,238)

In December 2023, the Company entered into a 34-month physical netback agreement, under which Tourmaline will deliver 50,000 mmbtu/d of natural gas at AB-NIT and receive a Dutch TTF index price (less associated deductions) beginning in March 2024. Due to the fact that the volumes are delivered to a counterparty in Alberta, but Tourmaline ultimately receives a Dutch TTF index price, it was determined that the agreement contained an embedded derivative as a result of the pricing spread between Dutch TTF and AECO. The Company defined the host contract as a natural gas sales contract with an underlying natural gas price of AECO. The fair value of the contract at December 31, 2023 was $1.9 million.

The following table is a summary of the fair value of financial instruments as at December 31, 2023:

(000s)	Financial derivative contracts	Natural gas embedded derivatives (1)	Total
Current asset	$ 221,800	$ 254,646	$ 476,446
Long-term asset	107,752	611,786	719,538
Current liability	(29,573)	(9,338)	(38,911)
Long-term liability	(27,506)	–	(27,506)
Total fair value of financial instruments	**$ 272,473**	**$ 857,094**	**$ 1,129,567**

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

The following table provides a summary of the unrealized gains and losses on financial instruments for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
(000s)	**2023**	**2022**
Unrealized gain on financial instruments – commodity contracts	**$ 408,727**	$ 163,640
Unrealized gain (loss) on financial instruments – foreign currency	**121,302**	(107,974)
Unrealized gain (loss) on financial instruments – natural gas embedded derivatives (1)	**(1,188,229)**	2,045,323
Total unrealized gain (loss) on financial instruments	**$ (658,200)**	$ 2,100,989

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

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

The Company has the following physical commodity sale contracts in place at December 31, 2023 (1)(6):

		2024	**2025**	**2026**	**2027**	**2028**
Gas						
Fixed price (2)	*mmbtu/d*	567,160	427,083	87,993	18,956	–
	CAD$/mmbtu	$ 4.52	$ 4.64	$ 5.80	$ 4.22	
Basis differentials – AECO (3)	*mmbtu/d*	165,806	86,658	103,452	70,000	62,500
	USD$/mmbtu	$ (0.78)	$ (0.69)	$ (0.64)	$ (0.64)	$ (0.64)
Basis differentials – Dawn	*mmbtu/d*	16,667	10,000	10,000	8,329	–
	USD$/mmbtu	$ (0.06)	$ (0.04)	$ (0.04)	$ (0.04)	
Basis differentials – Stn 2 (4)	*mmbtu/d*	26,078	2,337	–	–	–
	USD$/mmbtu	$ (0.46)	$ (0.37)			
Basis differentials – Other (5)	*mmbtu/d*	64,365	35,000	–	–	–
	USD$/mmbtu	$ (0.09)	$ (0.24)			

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

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

(3) A portion of these basis deals have a cap on NYMEX, 36.4 mmcf/d at USD$4.56/mcf for 2024.

(4) These volumes are priced at a basis to 7A.

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

(6) Tourmaline has third party netback arrangements in the following markets: Chicago, Ventura, Emerson, Dawn and Henry Hub. The average for 2024-2026 is 105.7 mmcf/d, and the exit for 2026 is 142.4 mmcf/d. These are not included in the table above.

The Company has entered into the following physical commodity contracts subsequent to December 31, 2023:

Type of Contract	Quantity	Time Period	Contract Price
Basis differentials	40,000 mmbtu/d	April 2024 – October 2024	$(0.76) USD/mmbtu

(d) Capital Management:

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

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

As shown below, as at December 31, 2023, the Company's ratio of net debt to annualized cash flow was 0.48 to 1 (December 31, 2022 – 0.09 to 1.00).

	As at December 31,	
(000s)	**2023**	**2022**
Net debt:		
Working capital (deficit)	**$ (298,280)**	$ 809,449
Fair value of financial instruments – short-term liability (asset)	**(437,535)**	(709,286)
Lease liabilities – short-term	**5,796**	3,109
Decommissioning obligations – short-term	**45,000**	30,000
Unrealized foreign exchange in working capital – (asset) liability	**5,524**	(8,605)
Adjusted working capital	**$ (679,495)**	$ 124,667
Bank debt	**(651,594)**	(170,767)
Senior unsecured notes	**(448,643)**	(448,342)
Net debt	**$(1,779,732)**	$ (494,442)
Annualized cash flow:		
Cash flow from operating activities for Q4	**$ 1,012,819**	$ 1,115,399
Current tax expense for Q4	**(75,669)**	(7,599)
Cash taxes paid	**6,051**	–
Change in non-cash working capital	**(25,193)**	294,847
Cash flow for Q4	**$ 918,008**	$ 1,402,647
Annualized cash flow (based on most recent quarter annualized)	**$ 3,672,032**	$ 5,610,588
Net debt to annualized cash flow	**0.48**	0.09

During the year ended December 31, 2023, the Company increased its quarterly dividend from $0.25 per share to $0.28 per share and paid special dividends of $2.00, $1.50, $1.00 and $1.00 per share.

5. EXPLORATION AND EVALUATION ASSETS

(000s)	
As at January 1, 2022	$ 369,882
Transfers to property, plant and equipment *(note 6)*	(46,234)
Divestitures	(2,068)
Expired mineral leases	(32,530)
As at December 31, 2022	$ 289,050
Transfers to property, plant and equipment (note 6)	(38,341)
Divestitures	(955)
Expired mineral leases	(17,850)
As at December 31, 2023	**$ 231,904**

E&E assets consist of the Company's exploration projects which are pending the determination of proven and/or probable reserves. Additions represent the Company's share of costs on E&E assets during the year. Expired mineral lease expenses have been included in the "Depletion, Depreciation and Amortization" line item on the consolidated statements of income and comprehensive income.

Impairment Assessment

At December 31, 2023 and 2022, the Company determined that no internal or external indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

6. PROPERTY, PLANT AND EQUIPMENT

Cost

(000s)	
As at January 1, 2022	$ 19,382,403
Capital expenditures	1,698,663
Transfers from exploration and evaluation *(note 5)*	46,234
Change in decommissioning liabilities *(note 8)*	(89,211)
Corporate acquisitions	306,837
Property acquisitions	304,160
Divestitures	(76,936)
As at December 31, 2022	$ 21,572,150
Capital expenditures	2,057,390
Transfers from exploration and evaluation (note 5)	38,341
Change in decommissioning liabilities (note 8)	162,989
Corporate acquisitions	1,678,357
Property acquisitions	60,701
Divestitures	(7,789)
As at December 31, 2023	**$ 25,562,139**

Accumulated Depletion, Depreciation and Amortization

(000s)	
As at January 1, 2022	$ 5,918,825
Depletion, depreciation and amortization	1,148,564
Divestitures	(421)
As at December 31, 2022	$ 7,066,968
Depletion, depreciation and amortization	1,280,539
As at December 31, 2023	**$ 8,347,507**

Net Book Value

(000s)	
As at December 31, 2022	$ 14,505,182
As at December 31, 2023	**$ 17,214,632**

Forecasted future development costs for the year ended December 31, 2023 of $16.9 billion (December 31, 2022 - $13.6 billion) were included in the depletion calculation. The Company recorded depletion expense related to its oil and gas interests of $1.2 billion for the year ended December 31, 2023 (December 31, 2022 - $1.1 billion).

Capitalization of G&A, Share-Based Payments and Borrowing costs

A total of $43.2 million in G&A expenditures have been capitalized and included in PP&E assets at December 31, 2023 (December 31, 2022 - $46.7 million). Also included in PP&E are non-cash share-based payments of $34.9 million at December 31, 2023 (December 31, 2022 - $21.7 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment or reversal of impairment. At December 31, 2023, the Company did not identify indicators of impairment on any of its CGUs; therefore an impairment test was not performed. The Company has no CGUs with historical impairment that have not been fully reversed.

At December 31, 2022, the Company did not identify indicators of impairment on any of its CGUs; therefore an impairment test was not performed.

Corporate Acquisition

Bonavista

On November 17, 2023, the Company acquired all of the issued and outstanding shares of Bonavista. The Company issued 10,341,778 common shares at a price of $66.64 per share for share consideration of $689.2 million and paid $651.0 million of cash consideration. Total transaction costs incurred by the Company of $7.4 million associated with this acquisition were expensed in the consolidated statement of income and comprehensive income.

Results from operations for Bonavista are included in the Company's consolidated financial statements from the closing date of the transaction. The estimated acquisition date fair value attributed to the PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2022 by independent third-party reserve evaluators engaged by Bonavista and updated by internal reserve evaluators to reflect activity up to November 17, 2023. The estimated proved and probable oil and gas reserves and the related cash flows were discounted at a rate based on what a market participant would have paid, as well as market metrics in the prevailing area at that time. The acquisition has been accounted for using the purchase method based on estimated fair values as follows, using discount rates based on what a market participant would have paid:

(000s)	Bonavista
Fair value of net assets acquired:	
Cash	$ 8,651
Working capital	7,517
Property, plant and equipment	1,678,357
Right-of-use assets	1,632
Financial instruments (net)	11,284
Bank debt	(118,275)
Lease liabilities	(1,632)
Decommissioning obligations	(247,477)
Deferred income taxes	82,309
Gain on acquisition	(82,204)
Total	$ 1,340,162
Consideration:	
Cash	$ 650,986
Shares issued	689,176
Total	$ 1,340,162

Included in the Company's consolidated statements of income and comprehensive income for the year ended December 31, 2023, are the following amounts relating to Bonavista since November 17, 2023:

(000s)	Bonavista
Commodity sales from production	$ 69,195
Net income and comprehensive income	$ 5,474

If the Company had acquired Bonavista on January 1, 2023, the pro-forma results of the oil and gas sales and net income and comprehensive income for the year ended December 31, 2023 would have been as follows:

(000s)	As Stated	Bonavista	Pro Forma Year ended December 31, 2023
Commodity sales from production	$ 5,351,253	$ 546,728	$ 5,897,981
Net income and comprehensive income	$ 1,735,880	$ 169,799	$ 1,905,679

Rising Star

On August 10, 2022, the Company acquired all of the issued and outstanding shares of Rising Star. As consideration, the Company included 6.0 million common shares of Topaz which were owned by Tourmaline at a price of $20.56 for Topaz share consideration of $123.4 million and cash consideration of $67.8 million for total consideration of $191.1 million, including working capital. Total transaction costs incurred by the Company of $0.4 million associated with this acquisition were expensed in the consolidated statement of income and comprehensive income.

Results from operations for Rising Star are included in the Company's consolidated financial statements from the closing date of the transaction. The estimated acquisition date fair value attributed to the PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared at December 31, 2021 by independent third-party reserve evaluators engaged by Rising Star and updated by internal reserve evaluators to reflect activity up to August 10, 2022. The estimated proved and probable oil and gas reserves and the related cash flows were discounted at a rate based on what a market participant would have paid, as well as market metrics in the prevailing area at that time. The acquisition has been accounted for using the purchase method based on estimated fair values as follows, using discount rates based on what a market participant would have paid:

(000s)	Rising Star
Fair value of net assets acquired:	
Working capital	$ 6,401
Property, plant and equipment	306,837
Right-of-use assets	335
Bank debt	(3,439)
Lease liabilities	(335)
Decommissioning obligations	(25,367)
Deferred income taxes	(44,069)
Gain on acquisition	(49,233)
Total	$ 191,130
Consideration:	
Cash	$ 67,770
Topaz shares	123,360
Total	$ 191,130

Included in the Company's consolidated statements of income and comprehensive income for the year ended December 31, 2022, are the following amounts relating to Rising Star since August 10, 2022:

(000s)	Rising Star
Commodity sales from production	$ 30,675
Net income and comprehensive income	$ 3,959

If the Company had acquired Rising Star on January 1, 2022, the pro-forma results of the oil and gas sales and net income and comprehensive income for the year ended December 31, 2022 would have been as follows:

(000s)	As Stated	Rising Star	Pro Forma Year ended December 31, 2022
Commodity sales from production	$ 8,110,837	$ 103,636	$ 8,214,473
Net income and comprehensive income	$ 4,487,049	$ 22,624	$ 4,509,673

Acquisitions of Oil and Natural Gas Properties

2023

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

On July 21, 2023, the Company acquired assets in the Deep Basin for cash consideration of $19.1 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately $19.4 million and the assumption of $0.3 million in decommissioning liabilities.

2022

On February 15, 2022, the Company acquired land in NEBC for cash consideration of $20.0 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately $20.0 million and the assumption of nil in decommissioning liabilities.

On April 12, 2022, the Company acquired the remaining interest in two gas processing facilities in NEBC in which the Company was already a working interest owner for cash consideration of $235.3 million, before customary closing adjustments. The acquisition resulted in an increase in PP&E of approximately $236.2 million and the assumption of $0.9 million in decommissioning liabilities.

The Company applied the optional IFRS 3 concentration test to the above acquisitions in 2023 and 2022 which resulted in the acquisitions being accounted for as asset acquisitions.

Disposition of Oil and Natural Gas Properties

2022

On September 1, 2022, the Company sold a royalty interest on some of its developed and undeveloped lands to Topaz for cash consideration of $51.0 million, before customary closing adjustments. The transaction resulted in a gain on disposition of $28.9 million which was recorded in the Company's consolidated income statement for the year ended December 31, 2022.

On September 29, 2022, the Company sold non-core assets, acquired from Rising Star, for cash consideration of $16.7 million, before customary closing adjustments. The disposition resulted in a decrease in PP&E of approximately $43.1 million and decommissioning obligations of $26.2 million.

Total Acquisitions and Dispositions of Oil and Natural Gas Properties

In total, for the year ended December 31, 2023, the Company completed property acquisitions for cash consideration of $58.5 million, including the acquisitions discussed above (December 31, 2022 - $273.8 million) and $1.0 million in acquisitions for non-cash consideration (December 31, 2022 - $9.5 million). The Company assumed $1.2 million in decommissioning liabilities as a result of these acquisitions (December 31, 2022 - $20.9 million).

For the year ended December 31, 2023, the Company also completed property dispositions, for total cash consideration of $7.8 million (December 31, 2022 - $71.5 million) and non-cash consideration of $1.0 million (December 31, 2022 – $9.5 million). The Company disposed of nil decommissioning liabilities as a result of these dispositions (December 31, 2022 – $26.3 million).

7. LEASES

Right-of-use assets

(000s)	As at December 31, 2023	As at December 31, 2022
Balance, beginning of year	**$ 9,762**	$ 10,825
Additions	**10,138**	1,463
Modifications	**9,283**	561
Right-of-use assets acquired from corporate acquisitions (*note 6*)	**1,632**	335
Depreciation	**(5,055)**	(3,422)
Balance, end of year	**$ 25,760**	$ 9,762

Lease Liabilities

(000s)	As at December 31 2023	As at December 31, 2022
Balance, beginning of year	**$ 10,155**	$ 11,169
Additions	**10,138**	1,463
Modifications	**9,283**	561
Lease liabilities acquired from corporate acquisitions (*note 6*)	**1,632**	335
Lease interest expense	**840**	319
Lease payments	**(5,743)**	(3,692)
Balance, end of year	**$ 26,305**	$ 10,155
Current lease liabilities	**$ 5,796**	$ 3,109
Long-term lease liabilities	**$ 20,509**	$ 7,046

The Company leases office space, vehicles and IT equipment. The lease payments are discounted using the Company's borrowing rate at the inception of the lease to calculate the lease liability. The total payments made for short-term and low-value leases were less than $0.1 million for the year ended December 31, 2023 which are not included in the lease liability (for the year ended December 31, 2022 – less than $0.1 million).

The Company has variable lease payments related to its office leases not included in the calculation of the Company's lease obligations. For the year ended December 31, 2023, the variable lease payments were $4.6 million (year ended December 31, 2022 - $2.5 million) and have been recognized in G&A expense in the statement of income and comprehensive income. The Company's lease liabilities are for periods of one to eleven years but may have extension options. The undiscounted cash flows relating to the lease liabilities included in the statement of financial position are as follows:

PAYMENTS DUE BY YEAR

(000s)	1 Year	2-3 Years	4-5 Years	>5 Years	Total
Lease payments including principal and interest	$ 7,259	$ 8,782	$ 5,004	$ 12,330	$ 33,375

8. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total inflated but undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $2.4 billion (December 31, 2022 – $1.3 billion), with some abandonments expected to commence in 2024. A risk-free rate of 3.02% (December 31, 2022 – 3.28%) and an inflation rate of 1.62% (December 31, 2022 – 2.09%) were used to calculate the decommissioning obligations. As at December 31, 2023, the change in future estimated cash outlays includes the difference between the discounted fair value of obligations acquired from the Bonavista corporate acquisition and the discounted value using the risk-free rate as well as changes made to the timing and estimated costs of the future decommissioning expenditures.

(000s)	**As at December 31, 2023**	**As at December 31, 2022**
Balance, beginning of year	**$ 567,053**	$ 648,142
Obligation incurred	**21,979**	21,058
Obligation incurred on corporate acquisitions (*note 6*)	**247,477**	25,367
Obligation incurred on property acquisitions (*note 6*)	**1,210**	20,850
Obligation divested (*note 6*)	**-**	(26,253)
Obligation settled	**(31,050)**	(32,995)
Accretion expense	**19,362**	21,153
Change in future estimated cash outlays	**141,010**	(110,269)
Balance, end of year	**$ 967,041**	$ 567,053
Current decommissioning obligations	**$ 45,000**	$ 30,000
Long-term decommissioning obligation	**$ 922,041**	$ 537,053

9. BANK DEBT

(000s)	**As at December 31, 2023**	**As at December 31, 2022**
Revolving credit facility	**$ 652,310**	$ 171,515
Debt issue costs	**(716)**	(748)
Bank debt	**$ 651,594**	$ 170,767

The Company has a covenant-based, unsecured, five-year extendible revolving credit facility in place with a syndicate of banks in the amount of $2.55 billion with $2.34 billion maturing in June 2028 and $215.0 million maturing in June 2027. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The revolving credit facility includes an expansion feature ("accordion") which allows the Company, upon approval from the lenders, to increase the facility amount by up to $500.0 million by adding a new financial institution or by increasing the commitment of its existing lenders. The revolving credit facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate, banker's acceptance rates or SOFR (for U.S. borrowings), plus applicable margins.

Under the terms of the revolving credit facility, Tourmaline is subject to the following covenant, the ratio of total debt to total capitalization must not exceed 0.65:1. At December 31, 2023 the ratio of total debt to total capitalization was 0.1:1. As at, and for the year ending, December 31, 2023, the Company is in compliance with all debt covenants.

Under the Company's credit facility "total debt" means generally the sum of debt plus subordinated debt, (Tourmaline currently does not have any subordinated debt), and "total capitalization" means generally the sum of the Company's shareholders' equity and all other indebtedness of the Company including bank debt, all determined on a consolidated basis in accordance with GAAP.

For the year ended December 31, 2023, 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 entered into cross-currency swaps to offset the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between CDOR and SOFR without taking on any foreign exchange risk.

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

Additionally, the Company has an unsecured credit facility payable on demand in the amount of $50.0 million with a Canadian bank. At December 31, 2023, the demand credit facility was undrawn.

Tourmaline has outstanding letters of credit in the amount of $74.8 million at December 31, 2023 (December 31, 2022 - $54.9 million) of which $26.3 million is secured by the operating facility and $48.5 million is secured by the demand facility, respectively.

The Company's aggregate borrowing capacity is $3.1 billion at December 31, 2023 including the bank debt and senior unsecured notes (note 10).

As at December 31, 2023, the Company had $651.6 million drawn against the revolving credit facility and $448.6 million of senior unsecured notes for total combined bank debt and senior unsecured notes of $1.1 billion (net of debt issue costs) (December 31, 2022 - $619.1 million). The effective interest rate for the twelve months ended December 31, 2023 was 3.95% (year ended December 31, 2022 – 2.70%).

10. SENIOR UNSECURED NOTES

(000s)	**As at December 31, 2023**	**As at December 31, 2022**
Senior unsecured notes	**$ 450,000**	$ 450,000
Debt issue costs	**(1,357)**	(1,658)
Senior unsecured notes	**$ 448,643**	$ 448,342

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

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

11. INVESTMENT IN TOPAZ

At December 31, 2023, the Company owned 31.2% of the outstanding common shares of its associate Topaz. A reconciliation of the investment in Topaz is provided below:

(000s)	**As at December 31, 2023**	**As at December 31, 2022**
Balance, beginning of period	**$ 648,229**	$ 745,924
Income on investment in Topaz	**14,881**	34,358
Dividends received from Topaz	**(55,082)**	(52,788)
Divestitures of Topaz common shares	**–**	(87,976)
Gain on dilution of investment in Topaz	**–**	8,711
Balance, end of period	**$ 608,028**	$ 648,229

On April 29, 2022, Topaz completed the acquisition of Keystone Royalty Corp. which resulted in the issuance of 4.2 million Topaz common shares and a reduction in Tourmaline's ownership interest from 36.6% to 35.6%. The dilution of Tourmaline's ownership in Topaz resulted in a gain of $8.7 million as the transaction was completed at a higher valuation of the Topaz shares when compared to Tourmaline's carrying value of its Topaz investment.

On August 10, 2022, the Company completed the acquisition of Rising Star which included consideration of 6.0 million Topaz common shares which resulted in a reduction in Tourmaline's ownership interest from 35.5% to 31.3%. The divestiture of Topaz common shares resulted in a reduction of Tourmaline's investment in Topaz of $88.0 million and a gain on disposition of $35.4 million.

For the year ended December 31, 2023, Topaz paid cash dividends of $1.22 per common share and Tourmaline received $55.1 million, which was recorded as a reduction to the investment in Topaz.

The following table summarizes the financial information of Topaz, as included in its own financial statements.

	As at, and for the period ended December 31,	
(000s)	**2023**	2022
Current assets	**$ 60,379**	$ 69,471
Non-current assets	**1,586,768**	1,766,261
Current liabilities	**(7,084)**	(4,523)
Non-current liabilities	**(396,285)**	(468,915)
Net assets	**1,243,778**	1,362,294
Revenue	**306,691**	356,735
Net Income	**$ 47,644**	$ 99,355

The fair value of Tourmaline's investment in Topaz is $875.0 million, using the closing price of Topaz common shares on December 31, 2023 of $19.38 per share.

12. 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

	Year Ended December 31, 2023		**Year Ended December 31, 2022**	
(000s) except share amounts	**Number of Shares**	**Amount**	Number of Shares	Amount
Balance, beginning of year	**338,684,709**	**$ 7,725,189**	330,860,313	$ 7,482,534
Issued on corporate acquisitions (*note 6*)	**10,341,778**	**689,176**	–	–
For cash on exercise of stock options (*note 16*)	**2,324,262**	**57,374**	7,824,396	189,242
Contributed surplus on exercise of stock options	–	**16,099**	–	53,413
Balance, end of year	**351,350,749**	**$ 8,487,838**	338,684,709	$ 7,725,189

Normal course issuer bid

The Company has a normal course issuer bid ("NCIB") in place. On August 2, 2023, the Company renewed its NCIB allowing up to 16,989,041 common shares, representing 5% of its common shares outstanding at July 25, 2023, to be purchased over a period of twelve months commencing on August 8, 2023. Under the NCIB, common shares may be repurchased at prevailing market prices and any common shares that are purchased under the NCIB will be cancelled upon their purchase by the Company. For the year ended December 31, 2023, the Company did not purchase any common shares for cancellation.

Dividends

During the year ended December 31, 2023, the Company paid quarterly cash dividends of $1.05 per common share totalling $359.8 million. For the year ended December 31, 2022, the Company paid quarterly cash dividends of $0.90 per common share totalling $302.7 million.

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

On May 19, 2023, the Company paid a special dividend of $1.50 per common share totalling $508.7 million.

On August 22, 2023, the Company paid a special dividend of $1.00 per common share totalling $340.0 million.

On November 1, 2023, the Company paid a special dividend of $1.00 per common share totalling $340.8 million.

13. 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, condensate, 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 sale of produced commodities are under contracts of varying terms of up to fifteen years. Revenues are typically collected on the 25th day of the month following production.

The following table presents the Company's commodity sales disaggregated by revenue source:

	Years Ended December 31,	
(000s)	**2023**	2022
Natural gas		
Sales from production	**$ 2,867,752**	$ 5,114,700
Premium on risk management activities	**809,886**	508,744
	3,677,638	5,623,444
Oil		
Sales from production	**413,799**	454,206
Premium on risk management activities	**16,455**	13,772
	430,254	467,978
Condensate		
Sales from production	**1,225,901**	1,400,798
(Loss) on risk management activities	**(2,236)**	(5,407)
	1,223,665	1,395,391
NGL		
Sales from production	**843,801**	1,141,133
(Loss) on risk management activities	**(12,842)**	–
	830,959	1,141,133
Marketing revenue (1)	**79,724**	49,702
Total		
Commodity sales from production	**5,351,253**	8,110,837
Premium on risk management activities	**811,263**	517,109
Marketing revenue	**79,724**	49,702
Revenue from contracts with customers	**$ 6,242,240**	$ 8,677,648

(1) Marketing revenue represents the sale of commodities purchased from third parties. For the year ended December 31, 2023, the Company had marketing purchases from third parties of $30.0 million (2022 - $43.3 million).

At December 31, 2023, receivables from contracts with customers, which are included in accounts receivable, were $627.7 million (December 31, 2022 - $1.0 billion).

14. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2023 and 2022 were as follows:

	Years Ended December 31,	
	2023	**2022**
Current tax expense	**$ 431,298**	$ 11,934
Deferred tax expense	**12,196**	1,407,309
	$ 443,494	$ 1,419,243

The provisions for deferred taxes in the consolidated statements of income and comprehensive income reflect an effective tax rate which differs from the expected statutory tax rate. Differences were accounted for as follows:

(000s)	Years Ended December 31,	
	2023	**2022**
Income before taxes	**$ 2,179,374**	$ 5,906,292
Canadian statutory rate [1][2]	**23.57%**	24.16%
Expected income taxes at statutory rates	**513,678**	1,426,960
Effect on income tax of:		
Share-based payments	**16,786**	7,149
Gain on acquisitions	**–**	(11,895)
Recognition of SRED income tax credits	**(19,220)**	–
Income from equity investments	**(3,507)**	(10,406)
Non-taxable portion of capital gain	**–**	(3,998)
Effect of change in corporate tax rate [3]	**(66,896)**	10,126
Other	**2,653**	1,307
Income tax expense	**$ 443,494**	$ 1,419,243

(1) The statutory rate consists of the combined statutory tax rate for the Company for the year ended December 31, 2023.

(2) The BC corporate tax rate is 12%.

(3) The Alberta corporate tax rate is 8%.

The movement in deferred tax balances during the years ended December 31, 2023 and 2022 are as follows:

(000s)	Balance January 1, 2023	Recognized in Net Earnings	Acquired in business combination	Recognized in Equity	Balance December 31, 2023
Deferred tax liabilities:					
Exploration and evaluation and property, plant and equipment	$ 2,196,222	$ 201,114	$ 128,945	$ –	$ 2,526,281
Risk management contracts	429,193	(166,226)	2,653	–	265,620
Right-of-use asset	2,277	3,397	384	–	6,058
Share-based payments	–	6,017	–	(895)	5,122
Long-term asset	754	(259)	–	–	495
Deferred tax assets:					
Decommissioning obligations	(136,941)	(32,265)	(58,195)	–	(227,401)
Lease liabilities	(2,453)	(3,349)	(384)	–	(6,186)
Share-based payments	(7,057)	–	–	7,057	–
Non-capital losses	–	3,618	(136,651)	–	(133,033)
Share issue costs	(399)	149	(19,061)	–	(19,311)
Deferred tax liability (asset)	$ 2,481,596	$ 12,196	$ (82,309)	$ 6,162	$ 2,417,645

(000s)	Balance January 1, 2022	Recognized in Net Earnings	Acquired in business combination	Recognized in Equity	Balance December 31, 2022
Deferred tax liabilities:					
Exploration and evaluation and property, plant and equipment	$ 1,900,206	$ 245,862	$ 50,154	$ –	$ 2,196,222
Risk management contracts	(77,668)	506,861	–	–	429,193
Right-of-use asset	2,591	(394)	80	–	2,277
Long-term asset	903	(149)	–	–	754
Deferred tax assets:					
Decommissioning obligations	(155,127)	24,257	(6,071)	–	(136,941)
Lease liabilities	(2,674)	301	(80)	–	(2,453)
Share-based payments	–	–	–	(7,057)	(7,057)
Non-capital losses	(628,892)	628,892	–	–	–
Share issue costs	(2,064)	1,679	(14)	–	(399)
Deferred tax liability (asset)	$ 1,037,275	$1,407,309	$ 44,069	$ (7,057)	$ 2,481,596

As at December 31, 2023, the Company has estimated federal tax pools of $7.2 billion (December 31, 2022 - $5.5 billion) available for deduction against future taxable income, including $565.7 million (December 31, 2022 - nil) of unused tax losses.

Unrecognized deferred tax assets

At December 31, 2023, the Company had no unrecognized deferred tax assets.

Investments

The Company does not plan to dispose of investments in the foreseeable future, and therefore has measured deferred tax relating to these investments using the tax rates applicable to dividends, which are zero because such dividends are tax-exempt. As a result, no deferred tax has been recognized.

15. EARNINGS PER SHARE

Basic earnings per share was calculated as follows:

	Years Ended December 31,	
	2023	**2022**
Net income and comprehensive income *(000s)*	**$ 1,735,880**	$ 4,487,049
Weighted average number of common shares – basic	**341,015,368**	335,597,666
Earnings per share – basic	**$ 5.09**	$ 13.37

Diluted earnings per share was calculated as follows:

	Years Ended December 31,	
	2023	**2022**
Net income and comprehensive income *(000s)*	**$ 1,735,880**	$ 4,487,049
Weighted average number of common shares – diluted	**345,383,038**	342,533,099
Earnings per share – fully diluted	**$ 5.03**	$ 13.10

There were 7,763,874 options excluded from the weighted-average share calculation for the year ended December 31, 2023 because they were anti-dilutive (December 31, 2022 – 3,765,675).

At December 31, 2023, there were 351,350,749 basic common shares outstanding (December 31, 2022 – 338,684,709).

16. SHARE-BASED PAYMENTS

STOCK OPTION PLAN

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 26,351,306 shares of common stock, which represents 7.5% of the current outstanding common shares. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is seven years. Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

				Years Ended December 31,
		2023		2022
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of year	**12,541,699**	**$ 41.22**	16,372,528	$ 24.83
Granted	**4,162,700**	**65.25**	4,074,175	74.33
Exercised	**(2,324,262)**	**24.68**	(7,824,396)	24.19
Expired/cancelled	**(155,873)**	**65.11**	–	–
Forfeited	–	–	(80,608)	40.27
Stock options outstanding, end of year	**14,224,264**	**$ 50.69**	12,541,699	$ 41.22

The weighted average trading price of the Company’s common shares was $63.57 during the year ended December 31, 2023 (December 31, 2022 – $66.97).

The following table summarizes stock options outstanding and exercisable at December 31, 2023:

Range of Exercise Price	Number Outstanding at Period End	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Year End	Weighted Average Exercise Price
$10.23 – $27.61	2,878,651	3.00	17.54	2,750,487	17.36
$27.62 – $32.11	2,853,087	4.41	31.92	1,409,366	31.93
$32.12 – $65.76	1,689,401	5.66	53.37	301,895	44.64
$65.77 – $72.23	3,407,200	6.83	66.41	34,169	68.23
$72.24 – $80.06	3,395,925	5.69	77.45	1,132,738	77.45
	14,224,264	5.16	50.69	5,628,655	34.87

The fair value of options, granted during the year, was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	Years Ended December 31,	
	2023	**2022**
Fair value of options granted (weighted average)	**$ 21.74**	$ 25.98
Risk-free interest rate	**3.73%**	3.21%
Estimated hold period prior to exercise	**4.1 years**	4.2 years
Expected volatility	**41.2%**	42%
Forfeiture rate	**1.8%**	1.8%
Dividend per share	**$ 1.05**	$ 0.86

RESTRICTED SHARE UNIT ("RSU") PLAN

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

The following table summarizes the RSUs outstanding at December 31, 2023:

	Year Ended December 31,	
	2023	**2022**
RSUs outstanding, beginning of year	**237,328**	–
Granted	**328,330**	237,328
Settled	**(86,456)**	–
Forfeited	**(4,418)**	–
Dividends reinvested	**27,764**	–
RSUs outstanding, end of year	**502,548**	237,328

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

17. OTHER INCOME

	Years Ended December 31,	
(000s)	**2023**	**2022**
Processing income	**$ 17,629**	$ 15,498
Power income	**15,579**	18,880
Other	**14,220**	19,034
Total other income	**$ 47,428**	$ 53,412

18. FINANCE EXPENSES

(000s)	Years Ended December 31, 2023	2022
Finance expenses:		
Interest on loans and borrowings	**$ 37,347**	$ 29,616
Accretion of decommissioning obligations (*note 8*)	**19,362**	21,153
Lease interest (*note 7*)	**840**	319
Foreign exchange (gain) loss on U.S. denominated debt	**(25,007)**	6,666
Realized (gain) loss on cross-currency swaps	**25,007**	(6,666)
Transaction costs on corporate and property acquisitions	**7,419**	439
Total finance expenses	**$ 64,968**	$ 51,527

19. SUPPLEMENTAL DISCLOSURES

Tourmaline's consolidated statement of income and comprehensive income is prepared primarily by nature of the expenses, with the exception of salaries and wages which are included in both the operating and general and administrative expense line items as follows:

(000s)	Years Ended December 31, 2023	2022
Operating	**$ 62,965**	$ 57,676
General and administration	**72,189**	57,133
Total employee compensation costs	**$ 135,154**	$ 114,809

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital is comprised of:

(000s)	Years Ended December 31, 2023	2022
Source/(use) of cash:		
Accounts receivables	**$ 459,140**	$ (425,894)
Prepaid expenses and deposits	**(7,618)**	(37,218)
Accounts payable and accrued liabilities	**(21,988)**	235,948
	$ 429,534	$ (227,164)
Related to operating activities	**$ 307,659**	$ (203,152)
Related to investing activities	**$ 121,875**	$ (24,012)

Cash interest paid was $37.4 million for the year ended December 31, 2023 (December 31, 2022 - $28.0 million).

21. COMMITMENTS

In the normal course of business, Tourmaline 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]	$ 4,998	$ 8,780	$ 8,339	$ 21,592	$ 43,709
Firm transportation agreements	1,107,176	1,972,370	1,547,756	5,622,992	10,250,294
Processing commitments [2]	158,864	269,843	217,061	350,999	996,767
Capital commitments [3]	34,851	12,502	3,125	–	50,478
Revolving credit facility [4]	–	–	897,000	–	897,000
Senior unsecured notes [5]	10,378	20,757	265,920	200,611	497,666
	$ 1,316,267	$ 2,284,252	$ 2,939,201	$ 6,196,194	$ 12,735,914

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

(2) Includes processing commitments and power commitments.

(3) Includes drilling commitments.

(4) Includes interest expense at 6.77% being the rate applicable to outstanding debt on the credit facility at December 31, 2023 and interest paid at the maturity of the facility.

(5) Includes interest expense at 2.31% being the average rate applicable on the senior unsecured notes at December 31, 2023 with interest payments made semi-annually.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are persons who have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes all directors and certain executive officers of the Company. The table below summarizes all key management personnel compensation included in the consolidated financial statements for the years ended December 31, 2023 and 2022.

Compensation of Key Management

	Years Ended December 31,	
(000s)	**2023**	**2022**
Short-term compensation [1]	**$ 15,203**	$ 15,660
Share-based payments [2]	**4,619**	3,207
Total compensation paid to key management	**$ 19,822**	$ 18,867

(1) Short-term compensation includes annual salaries, bonuses, ESPP and benefits provided to key management personnel as well as directors' fees.

(2) Based on the grant date fair value of the applicable awards. The fair value of options granted is estimated at the date of grant using a Black-Scholes Option-Pricing Model. The total share-based payment of options issued in 2023 is based on a fair value ranging between $21.48 and $21.75 per option (2022 – between $27.04 and $27.31 per option).

23. RELATED PARTY

The Company has entered into a number of agreements with Topaz, relating to both royalty and infrastructure assets. From January 1, 2023, to December 31, 2023, gross overriding royalties of $115.2 million and processing fees of $39.3 million were payable to Topaz and are included in the Company’s consolidated statement of income and comprehensive income as royalties and operating expense. At December 31, 2023, $25.5 million of the Company's accounts payable balance was due to Topaz (December 31, 2022 - $42.3 million).

See note 11 for further details on transactions between Tourmaline and Topaz.