

CALGARY, AB--(Marketwired - April 29, 2015) - [Tourmaline Oil Corp.](#) (TSX: TOU) ("Tourmaline" or the "Company") is pleased to announce record production results for the first quarter of 2015.

## HIGHLIGHTS

- Record average production of 143,725 boepd in the first quarter of 2015, up 40% over first quarter of 2014, and 10% over the prior quarter.
- Record average oil and condensate production of 10,805 bpd and 7,830 bpd of NGLs or 13% of total corporate production in Q1 2015. Liquids production exceeded 20,000 bpd in April 2015 (12,500 bpd oil and condensate, 7,800 bpd NGLs).
- Current production range of 152,000 - 157,000 boepd.
- Tourmaline remains on track to meet or exceed average production of 164,500 boepd in 2015, a 46% increase over 2014 average production.
- The Company produced first quarter after-tax earnings of \$22.2 million on cash flow<sup>(1)</sup> of \$207.7 million, underscoring the profitability of the Company's assets, even in an extremely challenging commodity price environment.
- Total cash costs (operating costs, transportation, general and administrative and financing costs) for the first quarter of 2015 were \$8.09/boe, amongst the lowest in the industry.
- The Company drilled 35.7 net wells and completed 57.0 net wells with record low capital costs.
- Highest 30-day IP NEBC Montney wells drilled by the Company to date at an average of 17.5 mmcfpd.
- Highest-deliverability gas wells at Columbia Harlech drilled by the Company to date in three separate Cretaceous formations setting up a very large future gas development and location inventory expansion.

## PRODUCTION UPDATE

Production averaged 143,725 boepd in the first quarter of 2015, a 40% increase over first quarter 2014 production and a 10% increase from the previous quarter. Current production is ranging between 152,000 and 157,000 boepd, and the Company remains on track to meet or exceed the average 2015 production target of 164,500 boepd. Unplanned production downtime related to restrictions on the TCPL, Spectra and Alliance systems averaged 4,500 boepd during the first quarter of 2015. Tourmaline currently has approximately 5,000 boepd shut-in due to these on-going transportation restrictions, and has an additional 12,500 boepd behind pipe awaiting tie-in or facility access.

(1) Cash flow is defined as cash provided by operations before changes in non-cash operating working capital. See "Non-GAAP Financial Measures" in the attached Management's Discussion and Analysis.

## FINANCIAL UPDATE

- The Company is forecasting full-year 2015 cash flow of \$1.06 billion and a preliminary 2016 cash flow of \$1.36 billion.
- Forecast December 31, 2015 net debt of \$1.21 billion results in debt to cash flow of 1.14 times.
- The Company's credit facility of \$1.60 billion along with the \$250.0 million term debt facility results in unused credit capacity of approximately \$640.0 million at December 31, 2015.

## EP UPDATE

Tourmaline is currently operating one rig through break-up in NEBC. The Company has 15 additional rigs moved to their next locations throughout the three core areas and expects to resume EP operations in mid-June. Essentially all the drilling will focus on multi-well pads in identified high-deliverability 'sweet spots', which is expected to lead to very strong capital efficiencies.

## ALBERTA DEEP BASIN

Tourmaline production in the Alberta Deep Basin reached the 100,000-boepd milestone in March. Strong drilling/completion results continued during the first quarter of 2015 with 30-day IP rates outperforming the base type curve by a factor of 2 (10 mmcfpd vs. 5 mmcfpd forecast). 2015 drilling will continue to focus on previously-identified high-deliverability Wilrich sweet spots at Kakwa, Smoky Minehead and Edson. The Company drilled and completed 16 Wilrich horizontals during the winter season at Smoky-Horse with a combined 30-day average IP of 10.1 mmcfpd. This large new Wilrich sweet spot contains a drilling inventory of over 100 future Wilrich locations.

Tourmaline's industry-leading well results are a combination of subsurface horizontal location identification and the application of continuously-improving completion technology. The Company acquired two additional 3D seismic programs in the first quarter to further high grade upcoming locations as well as expand the future drilling inventory through the identification of new prospective horizons. On the expansive Columbia-Harlech land block, the Company has drilled the highest deliverability Notikewin, Wilrich and Falher horizontals to date by industry, setting up an extensive 2016/17 development and associated drilling inventory expansion. The three horizontal wells tested at rates of 15 mmcfpd with associated condensate and NGL rates in excess of 30 bbls/mmcf. Follow-up locations to these wells are planned after break-up in advance of a new Tourmaline gas plant in 1H 2016 that will now be upsized.

The Company's first Triassic Montney horizontal in the greater Smoky area had a 30-day IP of 8.4 mmcfpd; the gas is sweet with

produced condensate rates of 12 - 15 bbls/mmcf. There are multiple follow-up locations on Tourmaline land.

These results, coupled with first quarter crown sale additions and the previously-announced Edson consolidation will lead to a significant increase of the existing Deep Basin future drilling inventory. Thus far in 2015, the Company has added 63.5 sections of new land in the Deep Basin, primarily in identified Wilrich and Notikewin high-deliverability sweet spots.

## NEBC MONTNEY GAS CONDENSATE

Current production from the Company's NEBC Montney complex has reached 44,000 boepd, and will remain at those levels through 2015 until facilities are further expanded in 2016. The Company plans to operate two drilling rigs in the complex through year-end. Tourmaline drilled its highest-deliverability Montney wells to date during the first quarter; 30-day IP's from the Upper and Middle Montney wells on the most recent 2015 pads have averaged a record 17.5 mmcfpd. Tourmaline continued to systematically reduce EP capital well costs; drill, complete and stimulate costs have been reduced to \$3.8 million for Sunrise-Dawson Montney horizontals a 20% reduction over average 2014 costs.

## PRH COMPLEX

The Company will continue to operate three drilling rigs in the Peace River High complex after break-up for the balance of 2015. The ongoing construction of the 24,000 bpd Mulligan battery is expected to be completed early in the third quarter of 2015, which will significantly reduce overall complex operating costs (estimated to be \$10.00 - \$11.00/boe, amongst the lowest costs for North American oil plays). Horizontal well costs have also been significantly reduced over the past six months; horizontal drill, complete and stimulate costs have been reduced by approximately 25% to \$3.5 million. During the first quarter of 2015, Tourmaline acquired an additional 132 sections on the regional Charlie Lake pool, adding approximately 220 locations to the existing development drilling inventory.

## 2015 CAPITAL PROGRAM

Q1 2015 capital expenditures were \$497.4 million (including \$277.3 million on drilling and completions, \$184.6 million on pipelines and facilities, \$25.1 million on land and seismic). Estimated Q2 2015 capital expenditures are \$110.0 million (\$75.0 million on drilling and completions, \$35.0 million on pipelines and facilities) and significantly less than anticipated Q2 2015 cash flow. The Company remains on track to execute a \$1.2 billion EP capital program in 2015. The impact of reduced EP service costs in 2015 has not been factored into the current 2015 budget estimate. The Company continues to maintain a very strong balance sheet; the current debt to 2015 forecast cash flow ratio is 1.3 times and an exit 2015 debt to cash flow ratio of 1.1 times is anticipated.

## CORPORATE SUMMARY - FIRST QUARTER 2015

|                                                                           | Three Months Ended March 31,<br>2015 | 2014        | Change |    |
|---------------------------------------------------------------------------|--------------------------------------|-------------|--------|----|
| OPERATIONS                                                                |                                      |             |        |    |
| Production                                                                |                                      |             |        |    |
| Natural gas ( <i>mcf/d</i> )                                              | 750,542                              | 525,999     | 43     | %  |
| Crude oil and NGL ( <i>bbl/d</i> )                                        | 18,635                               | 14,897      | 25     | %  |
| Oil equivalent ( <i>boe/d</i> )                                           | 143,725                              | 102,563     | 40     | %  |
| Product prices <sup>(1)</sup>                                             |                                      |             |        |    |
| Natural gas ( <i>\$/mcf</i> )                                             | \$ 3.69                              | \$ 5.38     | 31     | %  |
| Crude oil and NGL ( <i>\$/bbl</i> )                                       | \$43.13                              | \$70.49     | 39     | %  |
| Operating expenses ( <i>\$/boe</i> )                                      | \$4.69                               | \$4.93      | (5     | )% |
| Transportation costs ( <i>\$/boe</i> )                                    | \$2.24                               | \$1.66      | 35     | %  |
| Operating netback <sup>(3)</sup> ( <i>\$/boe</i> )                        | \$16.70                              | \$27.94     | (40    | )% |
| Cash general and administrative expenses ( <i>\$/boe</i> ) <sup>(2)</sup> | \$0.48                               | \$0.58      | (17    | )% |
| FINANCIAL(\$000, except share and per share)                              |                                      |             |        |    |
| Revenue                                                                   | 321,303                              | 349,267     | (8     | )% |
| Royalties                                                                 | 15,587                               | 30,564      | (49    | )% |
| Cash flow <sup>(3)</sup>                                                  | 207,740                              | 252,587     | (18    | )% |
| Cash flow per share ( <i>diluted</i> ) <sup>(3)</sup>                     | \$1.01                               | \$1.28      | (21    | )% |
| Net earnings                                                              | 22,159                               | 89,868      | (75    | )% |
| Net earnings per share ( <i>diluted</i> )                                 | \$0.11                               | \$0.45      | (76    | )% |
| Capital expenditures ( <i>net of dispositions</i> )                       | 497,382                              | 466,396     | 7      | %  |
| Weighted average shares outstanding ( <i>diluted</i> )                    | 205,530,914                          | 197,932,293 | 4      | %  |
| Net debt <sup>(3)</sup>                                                   | (1,391,660 )                         | (818,594 )  | 70     | %  |

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- (1) Product prices include realized gains and losses on financial instrument contracts.
  - (2) Excluding interest and financing charges.
  - (3) See "Non-GAAP Financial Measures" in the attached Management's Discussion and Analysis.

Conference Call Tomorrow at 9:00 a.m. MT (11:00 a.m. ET)

Tourmaline will host a conference call tomorrow, April 30, 2015 starting at 9:00 a.m. MDT (11:00 a.m. EDT). To participate, please dial 1-800-355-4959 (toll-free in North America), or local dial-in 416-340-8527, a few minutes prior to the conference call.

The conference call ID number is 4215049.

Reader Advisories

CURRENCY

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

#### FORWARD-LOOKING INFORMATION

This press release contains forward-looking information within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this press release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including anticipated petroleum and natural gas production for various periods, cash flows, capital spending, projected operating and drilling costs, the timing for facility expansions and facility start-up dates, as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities and prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning: prevailing commodity prices and exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs the timing of receipt of regulatory approvals; the performance of existing wells; the success obtain in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the availability and cost of labour and services; the state of the economy and the exploration and production business; the availability and cost of financing, labor and services; and ability to market oil and natural gas successfully.

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

Although Tourmaline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Tourmaline can give no assurances that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Readers are cautioned that the foregoing list of factors is not exhaustive.

Also included in this press release are estimates of Tourmaline's 2015 annual cash flow, capital spending and year-end debt and debt to cash flow levels as well as, preliminary guidance on 2016 anticipated cash flows, which are based on the various assumptions as to production levels, including estimated average production of 164,500 boepd for 2015 and 205,000 boepd for 2016, capital expenditures, and other assumptions disclosed in this press release and including commodity price assumptions for natural gas (AECO - \$3.50 /mcf for 2015 and \$3.75/mcf for 2016), and crude oil (WTI (US) - \$57.69/bbl for 2015 and \$69.58/bbl for 2016) and an exchange rate assumption of (US/CAD) \$0.83 for 2015 and \$0.84 for 2016. To the extent any such estimate constitutes a financial outlook, it was approved by management and the Board of Directors of Tourmaline on April 29, 2015 and is included to provide readers with an understanding of Tourmaline's anticipated cash flows based on the capital expenditure and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

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

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

See also "Forward-Looking Statements" in the attached Management's Discussion and Analysis.

## Additional Reader Advisories

### BOE CONVERSIONS

Boes 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

### PRODUCTION TESTS

Any references in this release to IP rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

### NON-GAAP FINANCIAL MEASURES

This press release includes references to financial measures commonly used in the oil and gas industry, "cash flow", "operating netback" and "net debt", which do not have standardized meanings prescribed by International Financial Reporting Standards ("GAAP"). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms "cash flow", "operating netback", and "net debt", for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-GAAP measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of the Company's performance. See "Non-GAAP Financial Measures" in the attached Management's Discussion and Analysis for the definition and description of these terms.

### ESTIMATED DRILLING INVENTORY

This press release includes a reference to estimated drilling inventory. These are locations specifically identified by management as an estimation of Tourmaline's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves data on contiguous acreage and geologic formations. The availability of local infrastructure, drilling support assets and other factors as management may deem relevant, such as spacing requirements, easement restrictions and regulations, are considered in determining such locations or inventory. The estimated drilling inventory and the locations on which the Company actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results and other factors.

### CERTAIN DEFINITIONS:

|                       |                                              |
|-----------------------|----------------------------------------------|
| <i>bbl</i>            | barrel                                       |
| <i>bcf</i>            | billion cubic feet                           |
| <i>bpd or bbl/d</i>   | barrels per day                              |
| <i>boe</i>            | barrel of oil equivalent                     |
| <i>boepd or boe/d</i> | barrel of oil equivalent per day             |
| <i>bopd or bbl/d</i>  | barrel of oil, condensate or liquids per day |
| <i>gj</i>             | gigajoule                                    |
| <i>gjs/d</i>          | gigajoules per day                           |
| <i>mbbls</i>          | thousand barrels                             |
| <i>mboe</i>           | thousand barrels of oil equivalent           |
| <i>mcf</i>            | thousand cubic feet                          |
| <i>mcfpd or mcf/d</i> | thousand cubic feet per day                  |
| <i>mcfe</i>           | thousand cubic feet equivalent               |
| <i>mmboe</i>          | million barrels of oil equivalent            |
| <i>mmbtu</i>          | million British thermal units                |
| <i>mmbtu/d</i>        | million British thermal units per day        |

|                         |                                               |
|-------------------------|-----------------------------------------------|
| <i>mmcf</i>             | million cubic feet                            |
| <i>mmcfpd or mmcf/d</i> | million cubic feet per day                    |
| <i>mstboe</i>           | thousand stock tank barrels of oil equivalent |
| <i>NGL</i>              | natural gas liquids                           |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Tourmaline's unaudited interim condensed consolidated financial statements and related notes as at and for the three months ended March 31, 2015 and the consolidated financial statements for the year ended December 31, 2014. Both the consolidated financial statements and the MD&A can be found at [www.sedar.com](http://www.sedar.com). This MD&A is dated April 29, 2015.

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

Certain financial measures referred to in this MD&A are not prescribed by IFRS. See "Non-GAAP Financial Measures" for information regarding the following non-GAAP financial measures used in this MD&A: "cash flow", "operating netback", "working capital (adjusted for the fair value of financial instruments)", "net debt", "adjusted EBITDA", "senior debt", "total debt", and "total capitalization".

Additional information relating to Tourmaline can be found at [www.sedar.com](http://www.sedar.com).

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

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, 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, NGL and natural gas properties; crude oil, NGL and natural gas production levels and product mix; Tourmaline's future operating and financial results; capital investment programs; supply and demand for crude oil, 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 laws; 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, NGL and natural gas; industry conditions; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil, NGL and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management and skilled labour; changes in income tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, any of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; the receipt of applicable regulatory or third party approvals; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available at [www.sedar.com](http://www.sedar.com).

With respect to forward-looking statements contained in this MD&A, Tourmaline has made assumptions regarding: future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; and future operating costs.

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 that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

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

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

## PRODUCTION

|                                 | Three Months Ended<br>March 31, |         |        |
|---------------------------------|---------------------------------|---------|--------|
|                                 | 2015                            | 2014    | Change |
| Natural gas ( <i>mcf/d</i> )    | 750,542                         | 525,999 | 43%    |
| Oil ( <i>bbl/d</i> )            | 10,805                          | 8,690   | 24%    |
| NGL ( <i>bbl/d</i> )            | 7,830                           | 6,207   | 26%    |
| Oil equivalent ( <i>boe/d</i> ) | 143,725                         | 102,563 | 40%    |

Production for the three months ended March 31, 2015 averaged 143,725 boe/d, a 40% increase over the average production for the same quarter of 2014 of 102,563 boe/d and 10% increase over fourth quarter 2014 production of 130,944 boe/d. The Company's significant production growth, when compared to 2014, can be primarily attributed to new wells that have been placed on production since March 31, 2014, as well as a corporate acquisition completed in 2014. Production was 87% natural gas weighted in the first quarter of 2015 compared to 85% in the first quarter of 2014. The slight increase in the natural gas weighting is mostly due to the sale of 25% of the Company's oil producing assets in the Peace River High Complex in the fourth quarter of 2014.

Full-year average production guidance for 2015 remains unchanged at 164,500 boe/d (as disclosed in the Company's press release dated March 9, 2015).

## REVENUE

|                                                   | Three Months Ended<br>March 31, |            |        |
|---------------------------------------------------|---------------------------------|------------|--------|
| (000s)                                            | 2015                            | 2014       | Change |
| Revenue from:                                     |                                 |            |        |
| Natural gas                                       | \$ 248,963                      | \$ 254,762 | (2) %  |
| Oil and NGL                                       | 72,340                          | 94,505     | (23) % |
| Total revenue from natural gas, oil and NGL sales | \$ 321,303                      | \$ 349,267 | (8) %  |

Revenue for the three months ended March 31, 2015 decreased 8% to \$321.3 million from \$349.3 million for the same quarter of 2014. Lower revenue for the period is consistent with the significant decrease in realized commodity prices, partially offset by higher production volumes and realized gains on energy marketing and hedging activities. Revenue includes all petroleum, natural gas and NGL sales and the realized gain (loss) on financial instruments.

## TOURMALINE REALIZED PRICES:

|                                  | Three Months Ended<br>March 31, |         |        |
|----------------------------------|---------------------------------|---------|--------|
|                                  | 2015                            | 2014    | Change |
| Natural gas (\$/ <i>mcf</i> )    | \$3.69                          | \$5.38  | (31) % |
| Oil (\$/ <i>bbl</i> )            | \$61.50                         | \$94.17 | (35) % |
| NGL (\$/ <i>bbl</i> )            | \$17.79                         | \$37.34 | (52) % |
| Oil equivalent (\$/ <i>boe</i> ) | \$24.84                         | \$37.84 | (34) % |

## BENCHMARK OIL AND GAS PRICES:

|                                      | Three Months Ended<br>March 31, |        |        |
|--------------------------------------|---------------------------------|--------|--------|
|                                      | 2015                            | 2014   | Change |
| Natural gas                          |                                 |        |        |
| NYMEX Henry Hub ( <i>USD\$/mcf</i> ) | \$2.81                          | \$4.72 | (40) % |

|                          |         |         |     |    |
|--------------------------|---------|---------|-----|----|
| AECO (CAD\$/mcf)         | \$2.75  | \$5.59  | (51 | )% |
| Oil                      |         |         |     |    |
| NYMEX (USD\$/bbl)        | \$48.57 | \$98.61 | (51 | )% |
| Edmonton Par (CAD\$/bbl) | \$52.75 | \$99.85 | (47 | )% |

#### RECONCILIATION OF AECO INDEX TO TOURMALINE'S REALIZED GAS PRICES:

|                                                    | Three Months Ended<br>March 31, |        |        |    |
|----------------------------------------------------|---------------------------------|--------|--------|----|
| (\$/mcf)                                           | 2015                            | 2014   | Change |    |
| AECO index <sup>(1)</sup>                          | \$2.60                          | \$5.39 | (52    | )% |
| Heat/quality differential                          | 0.23                            | 0.59   | (61    | )% |
| Realized gain (loss)                               | 0.86                            | (0.60) | 243    | %  |
| Tourmaline realized natural gas price              | \$3.69                          | \$5.38 | (31    | )% |
| Premium to AECO pricing due to higher heat content | 9                               | 11     | %      | %  |

(1) Weighted based on Tourmaline volumes for the period.

#### CURRENCY - EXCHANGE RATES:

|                            | Three Months Ended<br>March 31, |          |        |
|----------------------------|---------------------------------|----------|--------|
|                            | 2015                            | 2014     | Change |
| CAD\$/USD\$ <sup>(1)</sup> | \$0.8063                        | \$0.9067 | (11    |

(1) Average rates for the period

The realized average natural gas price for the three months ended March 31, 2015 was \$3.69/mcf, which is 31% lower than the same period of the prior year. The lower natural gas price reflects lower AECO prices experienced during the quarter. Included in the realized price is a gain on commodity contracts in the first quarter of 2015 of \$57.9 million compared to a loss of \$28.5 million for the same period of the prior year. Realized gains on commodity contracts for the quarter ended March 31, 2015 have increased compared to the same period of the prior year as the market price of natural gas has weakened relative to the pricing per the commodity contracts in place. Realized prices exclude the effect of unrealized gains or losses on commodity contracts. Once these gains and losses are realized they are included in the per-unit amounts.

Realized oil prices decreased by 35% for the three months ended March 31, 2015, which is consistent with the decrease in the benchmark price for crude oil during the period partially offset by a gain on commodity contracts in the first quarter of 2015 of \$12.6 million. NGL prices decreased 52% from \$37.34/bbl to \$17.79/bbl, when compared to the same period in 2014. The decrease in NGL prices is consistent with the decrease in crude oil and natural gas prices over the period as well as oversupply in the propane market during the first quarter of 2015 leading to significantly reduced prices for that commodity.

#### ROYALTIES

|                                      | Three Months Ended<br>March 31, |          |   |   |
|--------------------------------------|---------------------------------|----------|---|---|
| (000s)                               | 2015                            | 2014     |   |   |
| Natural gas                          | \$10,227                        | \$19,584 |   |   |
| Oil and NGL                          | 5,360                           | 10,980   |   |   |
| Total royalties                      | \$15,587                        | \$30,564 |   |   |
| Royalties as a percentage of revenue | 4.9                             | 8.8      | % | % |

For the quarter ended March 31, 2015, the average effective royalty rate was 4.9% compared to the rate of 8.8% for the same quarter of 2014. The decrease in the average effective royalty rate for 2015 can mostly be attributed to lower commodity prices and natural gas deep drilling program credits received during the quarter. Royalty rates are impacted by changes in commodity prices whereby the rate decreases when prices decrease.

The Company also continues to benefit from the New Well Royalty Reduction Program and the Natural Gas Deep Drilling Program in Alberta, as well as the Deep Royalty Credit Program in British Columbia.

The Company is forecasting the royalty rate for 2015 to be approximately 10%. The royalty rate is however sensitive to commodity prices and product mixes, and as such, a change in commodity prices or product mix will impact the actual rate.

#### OTHER INCOME

Three Months Ended  
March 31,

|              |          |          |        |   |
|--------------|----------|----------|--------|---|
| (000s)       | 2015     | 2014     | Change |   |
| Other income | \$ 7,545 | \$ 4,899 | 54     | % |

Other income increased from \$4.9 million in the first quarter of 2014 to \$7.5 million in 2015. The increase in other income is mainly due to the increase in processing capacity of Company-owned gas plants, where fees are charged to working interest partners on Tourmaline-operated and third party wells.

## OPERATING EXPENSES

|                                | Three Months Ended<br>March 31, |          |        |    |
|--------------------------------|---------------------------------|----------|--------|----|
| (000s) except per unit amounts | 2015                            | 2014     | Change |    |
| Operating expenses             | \$60,691                        | \$45,489 | 33     | %  |
| Per boe                        | \$4.69                          | \$4.93   | (5     | )% |

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the first quarter of 2015, total operating expenses were \$60.7 million compared to \$45.5 million in 2014.

On a per-boe basis, the costs decreased from \$4.93/boe for the first quarter of 2014 to \$4.69/boe in the first quarter of 2015. The lower per-unit operating expense is mainly due to the decrease in third-party processing, gathering and compression fees, which were approximately \$1.04/boe or 22% of total operating costs in the first quarter of 2015 compared to \$1.34/boe or 27% of total operating costs in the same period in 2014. The Company's significant investments in processing facilities in 2014 have reduced the volume of gas flowing to third-party facilities, leading to the reduction in operating expenses on a per boe basis.

The Company expects its full year 2015 operating costs to average approximately \$4.35/boe (as disclosed in the Company's MD&A dated March 9, 2015). The Company expects unit operating costs in the Peace River High Charlie Lake oil play to decrease from current levels as permanent Company-owned processing facilities continue to be commissioned or expanded in 2015. Actual costs per boe can change depending on a number of factors including the Company's actual production levels.

## TRANSPORTATION

|                                | Three Months Ended<br>March 31, |          |        |   |
|--------------------------------|---------------------------------|----------|--------|---|
| (000s) except per unit amounts | 2015                            | 2014     | Change |   |
| Natural gas transportation     | \$19,778                        | \$10,766 | 84     | % |
| Oil and NGL transportation     | 9,248                           | 4,563    | 103    | % |
| Total transportation           | \$29,026                        | \$15,329 | 89     | % |
| Per boe                        | \$2.24                          | \$1.66   | 35     | % |

Transportation costs for the three months ended March 31, 2015 were \$29.0 million or \$2.24/boe compared to \$15.3 million or \$1.66/boe for the same period of the prior year. Total transportation costs for the three-month period increased as a result of higher production volumes. The increase in per-unit transportation costs for the three-month period ending March 31, 2015 is due to the increased use of more expensive truck transportation, to accommodate increased NGL production out of liquids-rich North East, BC wells where pipeline capacity is restricted.

## GENERAL & ADMINISTRATIVE EXPENSES ("G&A")

|                                     | Three Months Ended<br>March 31, |          |        |    |
|-------------------------------------|---------------------------------|----------|--------|----|
| (000s) except per unit amounts      | 2015                            | 2014     | Change |    |
| G&A expenses                        | \$14,063                        | \$10,493 | 34     | %  |
| Administrative and capital recovery | (2,531 )                        | (827 )   | 206    | %  |
| Capitalized G&A                     | (5,314 )                        | (4,356 ) | 22     | %  |
| Total G&A expenses                  | \$6,218                         | \$5,310  | 17     | %  |
| Per boe                             | \$0.48                          | \$0.58   | (17    | )% |

G&A expenses for the first quarter of 2015 were \$6.2 million (\$0.48/boe) compared to \$5.3 million (\$0.58/boe) for the same quarter of the prior year. The increase in G&A expenses in 2015 compared to 2014 is primarily due to staff additions needed to manage the larger production, reserve and land base. The Company increased its staff count by approximately 17% from March 2014 to March 2015. The decrease in G&A expenses per boe reflects Tourmaline's growing production base which continues to increase at a faster rate than G&A costs.

G&A costs for 2015 are forecast to average approximately \$0.60/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<br>March 31, |           |
|----------------------------------|---------------------------------|-----------|
| (000s) except per unit amounts   | 2015                            | 2014      |
| Share-based payments             | \$ 16,608                       | \$ 13,402 |
| Capitalized share-based payments | (8,304 )                        | (6,701 )  |
| Total share-based payments       | \$ 8,304                        | \$ 6,701  |
| Per boe                          | \$ 0.64                         | \$ 0.73   |

The Company uses the fair value method for the determination of non-cash related share-based payments expense. During the first quarter of 2015, 118,500 stock options were granted to employees, officers, directors and key consultants at a weighted-average exercise price of \$37.53 and 481,837 options were exercised, resulting in \$9.6 million of cash proceeds.

The Company recognized \$8.3 million of share-based payments expense in the first quarter of 2015 compared to \$6.7 million in the first quarter of 2014. Capitalized share-based payments for the first quarter of 2015 were \$8.3 million compared to \$6.7 million for the same period of the prior year. Share-based payments are higher in 2015 compared to the same period in 2014, due to a higher number of options outstanding.

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

|                                                | Three Months Ended<br>March 31, |            |
|------------------------------------------------|---------------------------------|------------|
| (000s) except per unit amounts                 | 2015                            | 2014       |
| Total depletion, depreciation and amortization | \$ 167,688                      | \$ 115,535 |
| Less mineral lease expiries                    | (14,579 )                       | (7,570 )   |
| Depletion, depreciation and amortization       | \$ 153,109                      | \$ 107,965 |
| Per boe                                        | \$ 11.84                        | \$ 11.70   |

DD&A expense, excluding mineral lease expiries, was \$153.1 million for the first quarter of 2015 compared to \$108.0 million for the same period of 2014. The increase in DD&A expense in 2015 over the same period in 2014 is due to higher production volumes, as well as a larger capital asset base being depleted.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) was \$11.84/boe for the first quarter of 2015 compared to the rate of \$11.70/boe for the same quarter in 2014.

Mineral lease expiries for the three months ended March 31, 2015 were \$14.6 million, compared to expiries in the same quarter of the prior year of \$7.6 million. 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.

#### FINANCE EXPENSES

|                                            | Three Months Ended<br>March 31, |          |        |   |
|--------------------------------------------|---------------------------------|----------|--------|---|
| (000s)                                     | 2015                            | 2014     | Change |   |
| Interest expense                           | \$ 8,207                        | \$ 4,940 | 66     | % |
| Accretion expense                          | 551                             | 538      | 2      | % |
| Transaction costs on property acquisitions | 525                             | -        | 100    | % |
| Total finance expenses                     | \$ 9,283                        | \$ 5,478 | 69     | % |

Finance expenses are comprised of interest expense, accretion of provisions and transaction costs associated with property acquisitions. Finance expenses for the three months ended March 31, 2015 totaled \$9.3 million compared to \$5.5 million for the same period in 2014. The increase in finance expenses in 2015 over 2014 is mainly due to the higher average bank debt outstanding, partially offset by a lower average effective interest rate. The average bank debt outstanding for the three months ended March 31, 2015 was \$1,038.3 million (March 31, 2014 - \$571.1 million), with an average effective interest rate of 2.78% (2014 - 3.06%).

#### DEFERRED INCOME TAXES

For the three months ended March 31, 2015, the provision for deferred income tax expense was \$10.3 million compared to \$33.0 million for the same period in 2014. The decrease is consistent with the lower pre-tax earnings recorded in the first quarter of 2015 compared to the respective period in 2014.

#### CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

Three Months Ended  
March 31,

|                                          |           |           |        |
|------------------------------------------|-----------|-----------|--------|
| (000s) except per unit amounts           | 2015      | 2014      | Change |
| Cash flow from operating activities      | \$194,370 | \$249,390 | (22 )% |
| Per share <sup>(1)</sup>                 | \$0.95    | \$1.26    | (25 )% |
| Cash flow <sup>(2)</sup>                 | \$207,740 | \$252,587 | (18 )% |
| Per share <sup>(1)(2)</sup>              | \$1.01    | \$1.28    | (21 )% |
| Net earnings                             | \$22,159  | \$89,868  | (75 )% |
| Per share <sup>(1)</sup>                 | \$0.11    | \$0.45    | (76 )% |
| Operating netback per boe <sup>(2)</sup> | \$16.70   | \$27.94   | (40 )% |

(1) Fully diluted

(2) See "Non-GAAP Financial Measures"

Cash flow for the three months ended March 31, 2015 was \$207.7 million or \$1.01 per diluted share compared to \$252.6 million or \$1.28 per diluted share for the same period of 2014.

The Company had after-tax earnings for the three months ended March 31, 2015 of \$22.2 million or \$0.11 per diluted share compared to \$89.9 million or \$0.45 per diluted share for the same period of 2014. The decrease in both cash flow and after-tax earnings in 2015 reflects lower realized oil, natural gas and NGL prices, partially offset by a significant increase in production over 2014.

## CAPITAL EXPENDITURES

|                                 | Three Months Ended<br>March 31, |           |
|---------------------------------|---------------------------------|-----------|
| (000s)                          | 2015                            | 2014      |
| Land and seismic                | \$25,054                        | \$29,754  |
| Drilling and completions        | 277,282                         | 281,149   |
| Facilities                      | 184,628                         | 150,433   |
| Property acquisitions           | 4,515                           | 585       |
| Property dispositions           | (519 )                          | -         |
| Other                           | 6,422                           | 4,475     |
| Total cash capital expenditures | \$497,382                       | \$466,396 |

During the first quarter of 2015, the Company invested \$497.4 million of cash consideration, net of dispositions, compared to \$466.4 million for the same period of 2014. Expenditures on exploration and production were \$487.0 million compared to \$461.3 million for the same quarter of 2014. The drilling and completion costs in 2015 include 16.11 more net wells drilled and completed over 2014 at a lower cost per well reflecting continuous improvement of capital efficiencies. Facilities expenditures include work on the new Mulligan oil battery, preliminary expenditures on the Spirit River Sour Gas Plant expansion and the new Edson Gas Plant, all scheduled to be commissioned in the second half of 2015.

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

|           | Three Months Ended<br>March 31, 2015 |       | Three Months Ended<br>March 31, 2014 |       |
|-----------|--------------------------------------|-------|--------------------------------------|-------|
|           | Gross                                | Net   | Gross                                | Net   |
| Drilled   | 42                                   | 35.74 | 40                                   | 36.15 |
| Completed | 65                                   | 56.97 | 45                                   | 40.45 |
| Tied-in   | 27                                   | 23.14 | 27                                   | 21.62 |

## LIQUIDITY AND CAPITAL RESOURCES

On March 12, 2015, the Company issued 640,000 flow-through common shares at a price of \$50.00 per share, for total gross proceeds of \$32.0 million. The proceeds were used to temporarily reduce bank debt and then to fund the Company's 2015 exploration and development program.

The Company has a covenant-based, unsecured bank credit facility in place with a syndicate of bankers, the details of which are described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2014. This facility is a three-year extendible revolving facility in the amount of \$1,550.0 million plus a \$50.0 million operating revolver with an initial maturity of June, 2017. The maturity date may, at the request of the Company and with the consent of the lenders, be extended on an annual basis. The facility can be drawn in either Canadian or U.S. funds and bears interest at the bank's prime lending rate, bankers' acceptance rates or LIBOR (for U.S borrowings), plus applicable margins, which range from 1.50 to 3.15 percent over bankers' acceptance rates depending on the Company's senior debt to adjusted EBITDA ratio.

The Company also has a five-year term loan agreement with a Canadian Chartered Bank for \$250.0 million, bearing an interest rate of 240 basis points over the applicable bankers' acceptance rate. The covenants for the term loan are similar to those under

the Company's current credit facility and the term loan will rank equally with the obligations under the Company's credit facility. The Company's aggregate borrowing capacity is \$1.85 billion.

As at March 31, 2015, the Company had negative working capital of \$232.6 million, after adjusting for the fair value of financial instruments (the unadjusted working capital deficiency was \$195.9 million) (December 31, 2014 - \$223.7 million and \$189.9 million, respectively). As at March 31, 2015, the Company had \$248.7 million in long-term debt outstanding and \$910.4 million drawn against the revolving credit facility for total bank debt of \$1,159.1 million (net of prepaid interest and debt issue costs) (December 31, 2014 - \$918.9 million). Net debt was \$1,391.7 million (December 31, 2014 - \$1,142.5 million). Management believes the Company has sufficient liquidity and capital resources to fund the remainder of its 2015 exploration and development programs through expected cash flow from operations and its unutilized borrowing capacity.

## SHARES AND STOCK OPTIONS OUTSTANDING

As at April 29, 2015, the Company has 211,167,115 common shares outstanding and 16,599,997 stock options granted and outstanding.

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

### PAYMENTS DUE BY YEAR

| (000s)                                        | 1 Year    | 2-3 Years   | 4-5 Years | > 5 Years | Total       |
|-----------------------------------------------|-----------|-------------|-----------|-----------|-------------|
| Operating leases                              | \$4,743   | \$10,861    | \$10,760  | \$18      | \$26,382    |
| Firm transportation and processing agreements | 118,404   | 351,496     | 250,857   | 570,142   | 1,290,899   |
| Capital commitments <sup>(1)</sup>            | 325,859   | 917,430     | 225,000   | -         | 1,468,289   |
| Flow-through share commitments                | 32,000    | -           | -         | -         | 32,000      |
| Revolving credit facility <sup>(2)</sup>      | -         | 966,061     | -         | -         | 966,061     |
| Term debt <sup>(3)</sup>                      | 11,131    | 22,263      | 267,854   | -         | 301,248     |
|                                               | \$492,137 | \$2,268,111 | \$754,471 | \$570,160 | \$4,084,879 |

(1) Includes drilling commitments, and capital spending commitments under the joint arrangement in the Spirit River complex of \$316.6 million year 1 and \$300.0 million per year thereafter until 2019. The capital spending commitment can be deferred to future periods in the event of an economic downturn, and as agreed upon by both parties.

(2) Includes interest expense at an annual rate of 2.51% being the rate applicable to outstanding debt on the credit facility at March 31, 2015.

(3) Includes interest expense at an annual rate of 4.47% being the fixed rate on the term debt (including the interest rate swap) at March 31, 2015.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has certain lease arrangements, all of which are reflected in the commitments and contractual obligations table, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

## FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are discussed in note 5 of the Company's audited consolidated financial statements for the year ended December 31, 2014.

As at March 31, 2015, the Company has entered into certain financial derivative contracts in order to manage commodity price 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 has in place at March 31, 2015 are

summarized and disclosed in note 3 of the Company's interim condensed consolidated financial statements for the three months ended March 31, 2015 and 2014.

The Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. Physical contracts in place at March 31, 2015 have been summarized and disclosed in note 3 of the Company's interim condensed consolidated financial statements for the three months ended March 31, 2015 and 2014.

There were no financial derivative or physical delivery contracts entered into subsequent to March 31, 2015.

#### APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Company's use of estimates and judgments in preparing the interim condensed consolidated financial statements is discussed in note 1 of the consolidated financial statements for the year ended December 31, 2014.

#### 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, 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 National Instrument 52-109, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the Company's DC&P or ICFR during the period beginning on January 1, 2015 and ending on March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control-Integrated Framework (1992). Tourmaline adopted the 2013 Framework for the year ended December 31, 2014.

#### BUSINESS RISKS AND UNCERTAINTIES

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

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

#### IMPACT OF NEW 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 conduct of the Company's business more expensive or prevent the Company from conducting its business as currently conducted. Tourmaline focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

## NON-GAAP FINANCIAL MEASURES

This MD&A or documents referred to in this MD&A make reference to the terms "cash flow", "operating netback", "working capital (adjusted for the fair value of financial instruments)", "net debt", "adjusted EBITDA", "senior debt", "total debt", and "total capitalization" which are not recognized measures under GAAP, and do not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the terms "cash flow", "operating netback", "working capital (adjusted for the fair value of financial instruments)" and "net debt", for its own performance measures and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-GAAP measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of the Company's performance. The terms "adjusted EBITDA", "senior debt", "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 "adjusted EBITDA" means generally net income or loss, excluding extraordinary items, plus interest expense and income taxes and adjusted for non-cash items and gains or losses on dispositions, "senior debt" means generally the indebtedness, liabilities and obligations of the Company to the lenders under the credit facility and certain other secured indebtedness, liabilities and obligations of the company ("bank debt"), "total debt" means generally bank debt plus any other indebtedness of the Company, 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.

### Cash Flow

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

|                                                | Three Months Ended<br>March 31, |            |
|------------------------------------------------|---------------------------------|------------|
| (000s)                                         | 2015                            | 2014       |
| Cash flow from operating activities (per GAAP) | \$ 194,370                      | \$ 249,390 |
| Change in non-cash working capital             | 13,370                          | 3,197      |
| Cash flow                                      | \$ 207,740                      | \$ 252,587 |

### Operating Netback

Operating netback is calculated on a per-boe basis and is defined as revenue (excluding processing income) less royalties, transportation costs and operating expenses, as shown below:

|                                      | Three Months Ended<br>March 31, |          |
|--------------------------------------|---------------------------------|----------|
| (\$/boe)                             | 2015                            | 2014     |
| Revenue, excluding processing income | \$ 24.84                        | \$ 37.84 |
| Royalties                            | (1.21 )                         | (3.31 )  |
| Transportation costs                 | (2.24 )                         | (1.66 )  |
| Operating expenses                   | (4.69 )                         | (4.93 )  |
| Operating netback <sup>(1)</sup>     | \$ 16.70                        | \$ 27.94 |

(1) May not add due to rounding.

### Working Capital (Adjusted for the Fair Value of Financial Instruments)

A summary of the reconciliation of working capital to working capital (adjusted for the fair value of financial instruments) is set forth below:

|                                                                                  |                            |                               |
|----------------------------------------------------------------------------------|----------------------------|-------------------------------|
| (000s)                                                                           | As at<br>March 31,<br>2015 | As at<br>December 31,<br>2014 |
| Working capital (deficit)                                                        | \$(195,907)                | \$(189,928 )                  |
| Fair value of financial instruments - short-term (net)                           | (36,665 )                  | (33,727 )                     |
| Working capital (deficit) (adjusted for the fair value of financial instruments) | \$(232,572)                | \$(223,655 )                  |

Net Debt

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

|                                                        |                         |                            |
|--------------------------------------------------------|-------------------------|----------------------------|
| (000s)                                                 | As at<br>March 31, 2015 | As at<br>December 31, 2014 |
| Bank debt                                              | \$(1,159,088 )          | \$ (918,854 )              |
| Working capital (deficit)                              | (195,907 )              | (189,928 )                 |
| Fair value of financial instruments - short-term (net) | (36,665 )               | (33,727 )                  |
| Net debt                                               | \$ (1,391,660 )         | \$ (1,142,509 )            |

## SELECTED QUARTERLY INFORMATION

| (\$000s, unless otherwise noted)                                                               | 2015<br>Q1 | Q4         | Q3         | Q2         |
|------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| <b>PRODUCTION</b>                                                                              |            |            |            |            |
| Natural gas ( <i>mcf</i> )                                                                     | 67,548,751 | 63,719,524 | 51,771,964 | 51,225,036 |
| Oil and NGL ( <i>bbls</i> )                                                                    | 1,677,123  | 1,426,951  | 1,307,089  | 1,468,198  |
| Oil equivalent ( <i>boe</i> )                                                                  | 12,935,248 | 12,046,872 | 9,935,749  | 10,005,704 |
| Natural gas ( <i>mcf/d</i> )                                                                   | 750,542    | 692,604    | 562,739    | 562,912    |
| Oil and NGL ( <i>bbls/d</i> )                                                                  | 18,635     | 15,510     | 14,207     | 16,134     |
| Oil equivalent ( <i>boe/d</i> )                                                                | 143,725    | 130,944    | 107,997    | 109,953    |
| <b>FINANCIAL</b>                                                                               |            |            |            |            |
| Revenue, net of royalties                                                                      | 312,834    | 351,939    | 311,586    | 313,655    |
| Cash flow from operating activities                                                            | 194,370    | 201,188    | 233,047    | 231,756    |
| Cash flow <sup>(1)</sup>                                                                       | 207,740    | 233,238    | 211,635    | 231,542    |
| Per diluted share                                                                              | 1.01       | 1.14       | 1.03       | 1.13       |
| Net earnings                                                                                   | 22,159     | 265,210    | 67,357     | 66,437     |
| Per basic share                                                                                | 0.11       | 1.31       | 0.33       | 0.33       |
| Per diluted share                                                                              | 0.11       | 1.29       | 0.33       | 0.32       |
| Total assets                                                                                   | 6,801,583  | 6,622,303  | 5,978,645  | 5,446,094  |
| Working capital (deficit)                                                                      | (195,907 ) | (189,928 ) | (493,160 ) | (131,672 ) |
| Working capital (deficit)(adjusted for the fair value of financial instruments) <sup>(1)</sup> | (232,572 ) | (223,655 ) | (495,222 ) | (123,166 ) |
| Cash capital expenditures                                                                      | 497,382    | 152,135    | 647,302    | 297,733    |
| Total outstanding shares ( <i>000s</i> )                                                       | 204,284    | 203,162    | 201,673    | 201,431    |
| <b>PER UNIT</b>                                                                                |            |            |            |            |
| Natural gas ( <i>\$/mcf</i> )                                                                  | 3.69       | 4.09       | 4.34       | 4.71       |
| Oil and NGL ( <i>\$/bbl</i> )                                                                  | 43.13      | 55.91      | 74.61      | 74.53      |
| Revenue ( <i>\$/boe</i> )                                                                      | 24.84      | 28.25      | 32.41      | 35.03      |
| Operating netback ( <i>\$/boe</i> ) <sup>(1)</sup>                                             | 16.70      | 20.23      | 22.19      | 24.02      |

(1) See *Non-GAAP Financial Measures*.

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

Overall, the Company has had continued annual growth over the last two years summarized in the table above. The Company's average annual production has increased from 74,796 boe per day in 2013 to 112,929 boe per day in 2014 and 143,725 boe per day in the first three months of 2015. The production growth can be attributed primarily to the Company's exploration and development activities, and from acquisitions of producing properties. The slight decrease in production in the third quarter of 2014, from the second quarter of 2014, is due to unscheduled third-party maintenance, equipment issues and downtime at Musreau, the Saturn deep cut facility, as well as downtime on the TCPL mainline pipeline.

The Company's cash flow was \$526.8 million in 2013, \$929.0 million in 2014, and 2015 forecast cash flow is \$1,064.4 million,

reflecting the strong production growth year over year. Commodity price changes 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 revenues and cash flows available for exploration, and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flow generated from operations and access to capital markets.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (000s) (unaudited)                                    | March 31,<br>2015 | December 31,<br>2014 |
|-------------------------------------------------------|-------------------|----------------------|
| Assets                                                |                   |                      |
| Current assets:                                       |                   |                      |
| Cash and cash equivalents                             | \$ 107,621        | \$ 263,052           |
| Accounts receivable                                   | 184,655           | 203,212              |
| Prepaid expenses and deposits                         | 9,893             | 11,417               |
| Fair value of financial instruments (note 3)          | 40,509            | 35,571               |
| Total current assets                                  | 342,678           | 513,252              |
| Fair value of financial instruments (note 3)          | 1,818             | -                    |
| Long-term asset                                       | 7,079             | 7,145                |
| Exploration and evaluation assets (note 4 and note 5) | 638,930           | 635,633              |
| Property, plant and equipment (note 5)                | 5,811,078         | 5,466,273            |
| Total Assets                                          | \$ 6,801,583      | \$ 6,622,303         |
| Liabilities and Shareholders' Equity                  |                   |                      |
| Current liabilities:                                  |                   |                      |
| Accounts payable and accrued liabilities              | \$ 534,741        | \$ 701,336           |
| Fair value of financial instruments (note 3)          | 3,844             | 1,844                |
| Total current liabilities                             | 538,585           | 703,180              |
| Bank debt (note 7)                                    | 1,159,088         | 918,854              |
| Fair value of financial instruments (note 3)          | 11,539            | 6,356                |
| Deferred premium on flow-through shares (note 9)      | 6,317             | 3,210                |
| Decommissioning obligations (note 6)                  | 123,660           | 114,038              |
| Deferred taxes                                        | 435,333           | 422,090              |
| Shareholders' equity:                                 |                   |                      |
| Share capital (note 9)                                | 3,653,394         | 3,615,378            |
| Non-controlling interest (note 8)                     | 29,314            | 30,006               |
| Contributed surplus                                   | 137,328           | 124,325              |
| Retained earnings                                     | 707,025           | 684,866              |
| Total shareholders' equity                            | 4,527,061         | 4,454,575            |
| Total Liabilities and Shareholders' Equity            | \$ 6,801,583      | \$ 6,622,303         |

*Commitments (note 12)*

*Subsequent events (note 13)*

*See accompanying notes to the interim condensed consolidated financial statements.*

### CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| (000s) except per-share amounts (unaudited)         | Three Months Ended<br>March 31, |            |
|-----------------------------------------------------|---------------------------------|------------|
|                                                     | 2015                            | 2014       |
| Revenue:                                            |                                 |            |
| Oil and natural gas sales                           | \$ 250,806                      | \$ 377,768 |
| Royalties                                           | (15,587 )                       | (30,564 )  |
| Net revenue from oil and natural gas sales          | 235,219                         | 347,204    |
| Realized gain (loss) on financial instruments       | 70,497                          | (28,501 )  |
| Unrealized (loss) on financial instruments (note 3) | (427 )                          | (6,266 )   |
| Other income                                        | 7,545                           | 4,899      |
| Total net revenue                                   | 312,834                         | 317,336    |
| Expenses:                                           |                                 |            |
| Operating                                           | 60,691                          | 45,489     |
| Transportation                                      | 29,026                          | 15,329     |
| General and administration                          | 6,218                           | 5,310      |
| Share-based payments (note 11)                      | 8,304                           | 6,701      |
| (Gain) on divestitures                              | (179 )                          | -          |
| Depletion, depreciation and amortization            | 167,688                         | 115,535    |

|                                                                     |           |           |
|---------------------------------------------------------------------|-----------|-----------|
| Total expenses                                                      | 271,748   | 188,364   |
| Income from operations                                              | 41,086    | 128,972   |
| Finance expenses                                                    | 9,283     | 5,478     |
| Income before taxes                                                 | 31,803    | 123,494   |
| Deferred taxes                                                      | 10,336    | 32,958    |
| Net income and comprehensive income before non-controlling interest | 21,467    | 90,536    |
| Net income (loss) and comprehensive income (loss) attributable to:  |           |           |
| Shareholders of the Company                                         | 22,159    | 89,868    |
| Non-controlling interest (note 8)                                   | (692 )    | 668       |
|                                                                     | \$ 21,467 | \$ 90,536 |
| Net income per share attributable to common shareholders(note 10)   |           |           |
| Basic                                                               | \$ 0.11   | \$ 0.47   |
| Diluted                                                             | \$ 0.11   | \$ 0.45   |

See accompanying notes to the interim condensed consolidated financial statements.

#### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|                                               |               |                     |                   |                          |
|-----------------------------------------------|---------------|---------------------|-------------------|--------------------------|
| (000s) (unaudited)                            | Share Capital | Contributed Surplus | Retained Earnings | Non-Controlling Interest |
| Balance at December 31, 2014                  | \$ 3,615,378  | \$ 124,325          | \$ 684,866        | \$ 30,006                |
| Issue of common shares (note 9)               | 25,683        | -                   | -                 | -                        |
| Share issue costs, net of tax                 | (898 )        | -                   | -                 | -                        |
| Share-based payments                          | -             | 8,304               | -                 | -                        |
| Capitalized share-based payments              | -             | 8,304               | -                 | -                        |
| Options exercised (notes 9 and 11)            | 13,231        | (3,605 )            | -                 | -                        |
| Income attributable to common shareholders    | -             | -                   | 22,159            | -                        |
| Loss attributable to non-controlling interest | -             | -                   | -                 | (692 )                   |
| Balance at March 31, 2015                     | \$ 3,653,394  | \$ 137,328          | \$ 707,025        | \$ 29,314                |

|                                                 |               |                     |                   |                          |
|-------------------------------------------------|---------------|---------------------|-------------------|--------------------------|
| (000s) (unaudited)                              | Share Capital | Contributed Surplus | Retained Earnings | Non-Controlling Interest |
| Balance at December 31, 2013                    | \$ 3,062,432  | \$ 91,718           | \$ 195,994        | \$ 17,877                |
| Issue of common shares (note 9)                 | 219,222       | -                   | -                 | -                        |
| Share issue costs, net of tax                   | (6,923 )      | -                   | -                 | -                        |
| Share-based payments                            | -             | 6,701               | -                 | -                        |
| Capitalized share-based payments                | -             | 6,701               | -                 | -                        |
| Options exercised (notes 9 and 11)              | 26,135        | (7,081 )            | -                 | -                        |
| Income attributable to common shareholders      | -             | -                   | 89,868            | -                        |
| Income attributable to non-controlling interest | -             | -                   | -                 | 668                      |
| Balance at March 31, 2014                       | \$ 3,300,866  | \$ 98,039           | \$ 285,862        | \$ 18,545                |

See accompanying notes to the interim condensed consolidated financial statements.

#### CONSOLIDATED STATEMENTS OF CASH FLOW

|                                               | Three Months Ended<br>March 31, |           |
|-----------------------------------------------|---------------------------------|-----------|
| (000s) (unaudited)                            | 2015                            | 2014      |
| Cash provided by (used in):                   |                                 |           |
| Operations:                                   |                                 |           |
| Net income                                    | \$ 22,159                       | \$ 89,868 |
| Items not involving cash:                     |                                 |           |
| Depletion, depreciation and amortization      | 167,688                         | 115,535   |
| Accretion                                     | 551                             | 538       |
| Share-based payments                          | 8,304                           | 6,701     |
| Deferred taxes                                | 10,336                          | 32,958    |
| Unrealized loss on financial instruments      | 427                             | 6,266     |
| (Gain) on divestitures                        | (179 )                          | -         |
| Non-controlling interest                      | (692 )                          | 668       |
| Decommissioning expenditures                  | (854 )                          | 53        |
| Changes in non-cash operating working capital | (13,370 )                       | (3,197 )  |
| Total cash flow from operating activities     | 194,370                         | 249,390   |

|                                               |            |            |
|-----------------------------------------------|------------|------------|
| Financing:                                    |            |            |
| Issue of common shares                        | 41,626     | 238,276    |
| Share issue costs                             | (1,201 )   | (9,254 )   |
| Increase in bank debt                         | 240,234    | (19,819 )  |
| Total cash flow from financing activities     | 280,659    | 209,203    |
| Investing:                                    |            |            |
| Exploration and evaluation                    | (43,075 )  | (63,492 )  |
| Property, plant and equipment                 | (450,311 ) | (402,319 ) |
| Property acquisitions                         | (4,515 )   | (585 )     |
| Proceeds from divestitures                    | 519        | -          |
| Net repayment of long-term obligation         | (865 )     | (865 )     |
| Changes in non-cash investing working capital | (132,213 ) | 8,668      |
| Total cash flow from investing activities     | (630,460 ) | (458,593 ) |
| Changes in cash                               | (155,431 ) | -          |
| Cash, beginning of period                     | 263,052    | -          |
| Cash, end of period                           | \$ 107,621 | \$ -       |

*Cash is defined as cash and cash equivalents.*

*See accompanying notes to the interim condensed consolidated financial statements.*

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2015 AND FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

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

### Corporate Information:

[Tourmaline Oil Corp.](#) (the "Company") was incorporated under the laws of the Province of Alberta on July 21, 2008. The Company is engaged in the acquisition, exploration, development and production of petroleum and natural gas properties. These interim condensed consolidated financial statements reflect only the Company's proportionate interest in such activities.

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

### 1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These unaudited interim condensed consolidated financial statements do not include all of the information and disclosure required in the annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

The accounting policies and significant accounting judgments, estimates, and assumptions used in these unaudited interim condensed consolidated financial statements are consistent with those described in Notes 1 and 2 of the Company's consolidated financial statements for the year ended December 31, 2014.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2015.

### 1. DETERMINATION OF FAIR VALUE

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

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

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

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

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

## 1. FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 5 of the Company's consolidated financial statements for the year ended December 31, 2014.

As at March 31, 2015, the Company has entered into certain financial derivative contracts in order to manage commodity price 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 commodity contracts are recorded on the interim consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the interim consolidated statement of income and comprehensive income.

The Company has the following financial derivative contracts in place as at March 31, 2015 <sup>(1)</sup>:

| (000s)                                  |                    | 2015            | 2016    | 2017    | 2018   | 2019 | Fair Value  |
|-----------------------------------------|--------------------|-----------------|---------|---------|--------|------|-------------|
| Gas                                     |                    |                 |         |         |        |      |             |
| Fixed price                             | <i>mmbtu/d</i>     | 20,564          | -       | -       | -      | -    | \$ 3,673    |
|                                         | <i>USD\$/mmbtu</i> | \$3.33          |         |         |        |      |             |
| Nymex call options (writer)             | <i>mmbtu/d</i>     | -               | -       | 20,000  | 20,000 | -    | \$ (1,657 ) |
|                                         | <i>USD\$/mmbtu</i> |                 |         | \$5.00  | \$5.00 | -    |             |
| Oil                                     |                    |                 |         |         |        |      |             |
| Financial swaps                         | <i>bbls/d</i>      | 2,664           | 500     | -       | -      | -    | \$ 24,362   |
|                                         | <i>USD\$/bbl</i>   | \$74.40         | \$68.75 |         |        |      |             |
| Costless collars                        | <i>bbls/d</i>      | 1,300           | -       | -       | -      | -    | \$ 14,292   |
|                                         | <i>USD\$/bbl</i>   | \$81.15-\$94.29 |         |         |        |      |             |
| Financial call swaptions <sup>(2)</sup> | <i>bbls/d</i>      | 1,000           | 1,400   | 500     | -      | -    | \$ (2,592 ) |
|                                         | <i>USD\$/bbl</i>   | \$60.52         | \$82.25 | \$68.75 |        |      |             |
| Total Fair Value                        |                    |                 |         |         |        |      | \$ 38,078   |

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

(2) This is a European swaption whereby the Company provides the option to extend an oil swap into the period subsequent to the call date.

No financial derivative contracts were entered into subsequent to March 31, 2015.

The Company has the following interest rate swap arrangements:

| (000s)                      |                     |           |               |                     |            |            |
|-----------------------------|---------------------|-----------|---------------|---------------------|------------|------------|
| Term                        | Type                | Amount    | Company Fixed | Counter Party       | Fair Value |            |
|                             | (Floating to Fixed) |           | Interest Rate | Floating Rate Index |            |            |
| Nov 28, 2014 - Nov 28, 2019 | Swap                | \$250,000 | 2.065%        | Floating Rate       |            | \$(11,134) |

The following table provides a summary of the unrealized gains (losses) on financial instruments for the three months ended March 31, 2015 and 2014:

| (000s)                                                                | Three Months Ended<br>March 31 |             |
|-----------------------------------------------------------------------|--------------------------------|-------------|
|                                                                       | 2015                           | 2014        |
| Unrealized gain (loss) on financial instruments - commodity contracts | \$ 6,544                       | \$ (5,715 ) |
| Unrealized (loss) on financial instruments - interest rate swaps      | (6,971 )                       | (551 )      |
| Total unrealized (loss) on financial instruments                      | \$ (427 )                      | \$ (6,266 ) |

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

The Company has the following physical contracts in place at March 31, 2015 <sup>(1)(6)</sup>:

|                                            |                    | 2015      | 2016      | 2017      | 2018      | 2019      |
|--------------------------------------------|--------------------|-----------|-----------|-----------|-----------|-----------|
| Gas                                        |                    |           |           |           |           |           |
| Fixed price - AECO                         | <i>mcf/d</i>       | 231,295   | 16,555    | -         | -         | -         |
|                                            | <i>CAD\$/mcf</i>   | \$3.69    | \$3.40    | -         | -         | -         |
| Fixed price - AECO (USD)                   | <i>mmbtu/d</i>     | 30,564    | 3,719     | -         | -         | -         |
|                                            | <i>USD\$/mmbtu</i> | \$2.45    | \$2.72    | -         | -         | -         |
| Basis differentials <sup>(2)(3)</sup>      | <i>mmbtu/d</i>     | 9,436     | 38,781    | 22,500    | 22,500    | 22,500    |
|                                            | <i>USD\$/mmbtu</i> | \$(0.38 ) | \$(0.41 ) | \$(0.46 ) | \$(0.46 ) | \$(0.46 ) |
| Basis differentials - Stn 2 <sup>(4)</sup> | <i>mcf/d</i>       | -         | 9,482     | -         | -         | -         |
|                                            | <i>CAD\$/mcf</i>   | -         | \$(0.27 ) | -         | -         | -         |
| AECO Calls / Call Swaptions <sup>(5)</sup> | <i>mcf/d</i>       | 60,237    | 134,511   | 66,375    | 42,669    | -         |
|                                            | <i>CAD\$/mcf</i>   | \$3.91    | \$4.34    | \$4.76    | \$4.80    | -         |

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

(2) Tourmaline also has 22.5 mmcf/d of Nymex-AECO basis differentials at \$0.46 from 2020-2022.

(3) Tourmaline also has 10,000 mmbtu/d SoCal - AECO basis differential at \$(0.73) from November 2013 to October 2016.

(4) Station 2 - AECO basis differential

(5) These are European swaptions whereby the Company provides the option to extend a gas swap into the period subsequent to the call date or increase the volumes under contract.

(6) Tourmaline has also entered into deals to sell 50,000 mmbtu/d at Chicago GDD pricing less transportation costs from April 2015 to October 2020 and 20,000 mmbtu/d at Ventura GDD pricing less transportation costs from April 2015 to October 2020.

No physical contracts were entered into subsequent to March 31, 2015.

## 1. EXPLORATION AND EVALUATION ASSETS

|                                                     |           |
|-----------------------------------------------------|-----------|
| (000s)                                              |           |
| As at December 31, 2014                             | \$635,633 |
| Capital expenditures                                | 43,075    |
| Transfers to property, plant and equipment (note 5) | (24,883 ) |
| Acquisitions                                        | 755       |
| Divestitures                                        | (1,071 )  |
| Expired mineral leases                              | (14,579 ) |
| As at March 31, 2015                                | \$638,930 |

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

### Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At March 31, 2015 and December 31, 2014, the Company determined that no indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

## 1. PROPERTY, PLANT AND EQUIPMENT

## Cost

(000s)

|                                                             |             |
|-------------------------------------------------------------|-------------|
| As at December 31, 2014                                     | \$6,733,617 |
| Capital expenditures                                        | 458,615     |
| Transfers from exploration and evaluation ( <i>note 4</i> ) | 24,883      |
| Change in decommissioning liabilities ( <i>note 6</i> )     | 8,695       |
| Acquisitions                                                | 8,771       |
| Divestitures                                                | (3,156 )    |
| As at March 31, 2015                                        | \$7,231,425 |

## Accumulated Depletion, Depreciation and Amortization

(000s)

|                                          |             |
|------------------------------------------|-------------|
| As at December 31, 2014                  | \$1,267,344 |
| Depletion, depreciation and amortization | 153,109     |
| Divestitures                             | (106 )      |
| As at March 31, 2015                     | \$1,420,347 |

## Net Book Value

(000s)

|                         |             |
|-------------------------|-------------|
| As at December 31, 2014 | \$5,466,273 |
| As at March 31, 2015    | \$5,811,078 |

Future development costs of \$4,749.5 million were included in the depletion calculation at March 31, 2015 (December 31, 2014 - \$4,610.0 million).

## Capitalization of G&A and Share-Based Payments

A total of \$5.3 million in G&A expenditures have been capitalized and included in E&E and PP&E assets at March 31, 2015 (December 31, 2014 - \$19.3 million). Also included in E&E and PP&E are non-cash share-based payments of \$8.3 million (December 31, 2014 - \$28.8 million).

## Impairment Assessment

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment. At March 31, 2015, the Company determined that no indicators of impairment existed on any of the Company's CGUs; therefore an impairment test was not performed.

For the year ended December 31, 2014, the Company identified indicators of impairment on two of its CGUs based on the decline in commodity prices and performed impairment tests accordingly. The Company determined that there was no impairment to PP&E at December 31, 2014.

## Corporate Acquisition

On April 24, 2014, the Company acquired all of the issued and outstanding shares of [Santonia Energy Inc.](#) ("Santonia"). As consideration, the Company issued 3,228,234 common shares at a price of \$54.94 per share. Total transaction costs incurred by the Company of \$1.5 million associated with this acquisition were expensed in the interim consolidated statement of income and comprehensive income.

Results from operations for Santonia are included in the Company's unaudited interim consolidated financial statements from the closing date of the transaction. The acquisition has been accounted for using the purchase method based on fair values as follows:

|                                    |                      |
|------------------------------------|----------------------|
| (000s)                             | Santonia Energy Inc. |
| Fair value of net assets acquired: |                      |
| Cash                               | \$ 2,445             |

|                               |            |   |
|-------------------------------|------------|---|
| Working capital deficiency    | (10,965    | ) |
| Property, plant and equipment | 167,473    |   |
| Exploration and evaluation    | 19,058     |   |
| Bank debt                     | (32,079    | ) |
| Decommissioning obligations   | (8,487     | ) |
| Deferred income tax asset     | 39,914     |   |
| Total                         | \$ 177,359 |   |
| Consideration:                |            |   |
| Common shares issued          | \$ 177,359 |   |

## Acquisition of Oil and Natural Gas Properties

For the three months ended March 31, 2015, the Company completed property acquisitions for total cash consideration of \$4.5 million (December 31, 2014 - \$33.0 million) and an additional \$3.7 million in non-cash consideration (December 31, 2014 - \$2.2 million). The Company also assumed \$1.3 million in decommissioning liabilities (December 31, 2014 - \$4.9 million).

## Disposition of Oil and Natural Gas Properties

On December 23, 2014, the Company completed the sale of a 25% working interest in its Peace River High complex for cash consideration of \$500.0 million (before customary adjustments) to Canadian Non-Operated Resources Corp. ("CNOR"). The net book value of oil and natural gas properties disposed was \$236.5 million and the gain on disposition was \$266.2 million.

The Company will continue to be the operator of all jointly-owned assets. Under the terms of the arrangement, the Company has committed to spend \$400.0 million gross (\$300.0 million net) per year over the next five years. The committed capital expenditures can be deferred to future periods in the event of an economic downturn, and as agreed upon by both parties. As part of the capital commitment, the Company also agreed to carry CNOR for the first \$87.1 million spent (CNOR share) on specified capital projects. At March 31, 2015, approximately \$16.6 million remained to be spent on these specified projects.

### 1. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately \$160.5 million (December 31, 2014 - \$157.5 million), with some abandonments expected to commence in 2021. A risk-free rate of 1.99% (December 31, 2014 - 2.36%) and an inflation rate of 1.8% (December 31, 2014 - 2.0%) were used to calculate the decommissioning obligations.

| (000s)                                                          | As at<br>March 31,<br>2015 | As at<br>December 31,<br>2014 |
|-----------------------------------------------------------------|----------------------------|-------------------------------|
| Balance, beginning of period                                    | \$ 114,038                 | \$ 76,037                     |
| Obligation incurred                                             | 3,835                      | 14,257                        |
| Obligation incurred on corporate acquisitions ( <i>note 5</i> ) | -                          | 8,487                         |
| Obligation incurred on property acquisitions                    | 1,292                      | 4,881                         |
| Obligation divested                                             | (62 )                      | (5,676 )                      |
| Obligation settled                                              | (854 )                     | (413 )                        |
| Accretion expense                                               | 551                        | 2,351                         |
| Change in future estimated cash outlays                         | 4,860                      | 14,114                        |
| Balance, end of period                                          | \$ 123,660                 | \$ 114,038                    |

### 1. BANK DEBT

The Company has a covenant-based, unsecured, bank credit facility in place with a syndicate of bankers, the details of which are described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2014. The facility has a limit of \$1.55 billion plus a \$50.0 million operating line, and has an initial maturity of June 2017.

The Company also has a \$250.0 million five-year term loan with a Canadian Chartered Bank, the details of which are described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2014.

As at March 31, 2015, the Company had \$248.7 million in long-term debt outstanding and \$910.4 million drawn against the revolving credit facility for total bank debt of \$1,159.1 million (net of prepaid interest and debt issue costs) (December 31, 2014 - \$918.9 million). In addition, Tourmaline has outstanding letters of credit of \$3.2 million (December 31, 2014 - \$2.4 million), which reduce the credit available on the facility. The effective interest rate for the three months ended March 31, 2015 was 2.78% (three months ended March 31, 2014 - 3.06%). As at March 31, 2015, the Company is in compliance with all debt

covenants.

## 1. NON-CONTROLLING INTEREST

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

| (000s)                                                 | As at<br>March 31,<br>2015 | As at<br>December 31,<br>2014 |
|--------------------------------------------------------|----------------------------|-------------------------------|
| Balance, beginning of period                           | \$ 30,006                  | \$ 17,877                     |
| Share of subsidiary's net income (loss) for the period | (692 )                     | 12,129                        |
| Balance, end of period                                 | \$ 29,314                  | \$ 30,006                     |

## 1. SHARE CAPITAL

### 1. Authorized

Unlimited number of Common Shares without par value.

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

### 1. Common Shares Issued

| (000s) except share amounts                                                    | As at<br>March 31, 2015<br>Number of Shares | Amount      | As at<br>December 31, 2014<br>Number of Shares | Amount      |
|--------------------------------------------------------------------------------|---------------------------------------------|-------------|------------------------------------------------|-------------|
| Balance, beginning of period                                                   | 203,162,112                                 | \$3,615,378 | 189,804,864                                    | \$3,062,432 |
| For cash on public offering of common shares <sup>(1)</sup>                    | -                                           | -           | 4,615,198                                      | 219,222     |
| For cash on public offering of flow-through common shares <sup>(2)(3)(4)</sup> | 640,000                                     | 25,683      | 1,430,053                                      | 74,939      |
| Issued on corporate acquisitions                                               | -                                           | -           | 3,228,234                                      | 177,359     |
| For cash on exercise of stock options                                          | 481,837                                     | 9,626       | 4,083,763                                      | 66,473      |
| Contributed surplus on exercise of stock options                               | -                                           | 3,605       | -                                              | 24,925      |
| Share issue costs                                                              | -                                           | (1,201 )    | -                                              | (13,332)    |
| Tax effect of share issue costs                                                | -                                           | 303         | -                                              | 3,360       |
| Balance, end of period                                                         | 204,283,949                                 | \$3,653,394 | 203,162,112                                    | \$3,615,378 |

(1) On February 12, 2014, the Company issued 4.615 million common shares at a price of \$47.50 per share for total gross proceeds of \$219.2 million. A total of 15,198 common shares were purchased by insiders.

(2) On June 2, 2014, the Company issued 1.15 million flow-through shares at a price of \$68.15 per share for total gross proceeds of \$78.4 million. The implied premium on flow-through common shares was determined to be \$15.6 million or \$13.55 per share. A total of 122,000 flow-through common shares were purchased by insiders. As at December 31, 2014, the Company has spent the full committed amount. The expenditures were renounced to investors in February 2015 with an effective renunciation date of December 31, 2014.

(3) On November 28, 2014, the Company issued 0.28 million flow-through shares at a price of \$57.00 per share for total gross proceeds of \$16.0 million. The implied premium on flow-through common shares was determined to be \$3.8 million or \$13.62 per share. As at March 31, 2015, the Company had spent the full committed amount. The expenditures were renounced to investors in February 2015 with an effective renunciation date of December 31, 2014.

(4) On March 12, 2015, the Company issued 0.64 million flow-through shares at a price of \$50.00 per share for total gross proceeds of \$32.0 million. The implied premium on flow-through common shares was determined to be \$6.3 million or \$9.87 per share. As at March 31, 2015, the Company is committed to spend \$32.0 million on qualified exploration expenditures by December 31, 2015. The expenditures will be renounced to investors with an effective renunciation date of December 31, 2015.

## 1. EARNINGS PER SHARE

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

|                                                  | Three Months Ended<br>March 31,<br>2015 | 2014        |
|--------------------------------------------------|-----------------------------------------|-------------|
| Net earnings for the period (000s)               | \$22,159                                | \$89,868    |
| Weighted average number of common shares - basic | 203,560,489                             | 192,791,721 |

|                            |        |        |
|----------------------------|--------|--------|
| Earnings per share - basic | \$0.11 | \$0.47 |
|----------------------------|--------|--------|

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

|                                                    | Three Months Ended<br>March 31, |             |
|----------------------------------------------------|---------------------------------|-------------|
|                                                    | 2015                            | 2014        |
| Net earnings for the period (000s)                 | \$22,159                        | \$89,868    |
| Weighted average number of common shares - diluted | 205,530,914                     | 197,932,293 |
| Earnings per share - fully diluted                 | \$0.11                          | \$0.45      |

There were 9,867,666 options excluded from the weighted-average share calculations for the three-month period ended March 31, 2015 because they were anti-dilutive (three months ended March 31, 2014 - 3,823,000 options).

## 1. SHARE-BASED PAYMENTS

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 20,428,395 shares of common stock, which represents 10% 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 five years. Options are granted throughout the year and vest 1/3 on each of the first, second and first anniversaries from the date of grant.

|                                                | Three Months Ended March 31, |                                 |  | 2014              |                                 |
|------------------------------------------------|------------------------------|---------------------------------|--|-------------------|---------------------------------|
|                                                | 2015                         |                                 |  | 2014              |                                 |
|                                                | Number of Options            | Weighted Average Exercise Price |  | Number of Options | Weighted Average Exercise Price |
| Stock options outstanding, beginning of period | 17,046,500                   | \$ 36.44                        |  | 16,028,651        | \$ 36.44                        |
| Granted                                        | 118,500                      | 37.53                           |  | 375,000           | 37.53                           |
| Exercised                                      | (481,837)                    | 19.98                           |  | (1,146,475)       | 19.98                           |
| Forfeited                                      | -                            | -                               |  | (18,889)          | -                               |
| Stock options outstanding, end of period       | 16,683,163                   | \$ 36.93                        |  | 15,238,287        | \$ 36.93                        |

The weighted average trading price of the Company's common shares was \$38.22 during the three months ended March 31, 2015 (three months ended March 31, 2014 - \$48.49).

The following table summarizes stock options outstanding and exercisable at March 31, 2015:

| Range of Exercise Price | Number Outstanding at Period End | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
|-------------------------|----------------------------------|---------------------------------------------|---------------------------------|
| \$10.00 - \$18.35       | 1,277,950                        | 0.44                                        | 18.33                           |
| \$20.68 - \$29.93       | 3,246,550                        | 1.68                                        | 26.96                           |
| \$30.76 - \$39.57       | 2,997,163                        | 2.70                                        | 33.25                           |
| \$40.18 - \$48.99       | 7,501,500                        | 3.94                                        | 42.13                           |
| \$51.47 - \$56.76       | 1,660,000                        | 4.27                                        | 53.85                           |
|                         | 16,683,163                       | 3.04                                        | 36.93                           |

The fair value of options granted during the three-month period ended March 31, 2015 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

|                                                  | March 31, |         |
|--------------------------------------------------|-----------|---------|
|                                                  | 2015      | 2014    |
| Fair value of options granted (weighted average) | \$10.66   | \$16.63 |
| Risk-free interest rate                          | 2.08 %    | 3.08 %  |
| Estimated hold period prior to exercise          | 4 years   | 4 years |
| Expected volatility                              | 32 %      | 40 %    |
| Forfeiture rate                                  | 2 %       | 2 %     |
| Dividend per share                               | \$0.00    | \$0.00  |

## 1. COMMITMENTS

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

## PAYMENTS DUE BY YEAR

| (000s)                                        | 1 Year    | 2-3 Years   | 4-5 Years | > 5 Years | Total       |
|-----------------------------------------------|-----------|-------------|-----------|-----------|-------------|
| Operating leases                              | \$4,743   | \$10,861    | \$10,760  | \$18      | \$26,382    |
| Firm transportation and processing agreements | 118,404   | 351,496     | 250,857   | 570,142   | 1,290,899   |
| Capital commitments <sup>(1)</sup>            | 325,859   | 917,430     | 225,000   | -         | 1,468,289   |
| Flow-through share commitments                | 32,000    | -           | -         | -         | 32,000      |
| Revolving credit facility <sup>(2)</sup>      | -         | 966,061     | -         | -         | 966,061     |
| Term debt <sup>(3)</sup>                      | 11,131    | 22,263      | 267,854   | -         | 301,248     |
|                                               | \$492,137 | \$2,268,111 | \$754,471 | \$570,160 | \$4,084,879 |

(1) Includes drilling commitments, and capital spending commitments under the joint arrangement in the Spirit River complex of \$316.6 million year 1 and \$300.0 million per year thereafter until 2019. The capital spending commitment can be deferred to future periods in the event of an economic downturn, and as agreed upon by both parties.

(2) Includes interest expense at an annual rate of 2.51% being the rate applicable to outstanding debt on the credit facility at March 31, 2015.

(3) Includes interest expense at an annual rate of 4.47% being the fixed rate on the term debt (including the interest rate swap) at March 31, 2015.

## 1. SUBSEQUENT EVENTS

On April 1, 2015, the Company purchased [Perpetual Energy Inc.](#)'s ("Perpetual") interests in the West Edson area of the Alberta Deep Basin with the issuance of 6.75 million Tourmaline shares at a price of \$38.32 per share, for total consideration of \$258.7 million. The interests include Perpetual's land interests, production, reserves and facilities that were jointly-owned with Tourmaline.

## ABOUT TOURMALINE OIL CORP.

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

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