



MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

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

OPERATING ENVIRONMENT

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

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

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

CLIMATE CHANGE AND ENVIRONMENTAL REGULATION

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

Regulatory Update

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

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

Sustainability Reporting

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

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

SIGNIFICANT ACQUISITION ACTIVITY

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

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

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

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

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

PRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

BENCHMARK OIL AND GAS PRICES:

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

CURRENCY – EXCHANGE RATES:

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

(1) Average rates for the period.

TOURMALINE REALIZED PRICES ⁽¹⁾:

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

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

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

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

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

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

ROYALTIES

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

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

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

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

COMMODITY MARKETING

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

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

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

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

OTHER INCOME

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

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

OPERATING EXPENSES

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

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

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

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

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

TRANSPORTATION

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

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

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

GENERAL & ADMINISTRATIVE ("G&A") EXPENSES

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

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

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

SHARE-BASED PAYMENTS

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

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

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

STOCK OPTION PLAN

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

RESTRICTED SHARE UNIT PLAN

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

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

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

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

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

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

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

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

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

FINANCE EXPENSES

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

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

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

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

For the three and twelve-month periods ended December 31, 2023, the Company drew from the credit facility in U.S. dollars, as permitted under the credit facility which, when repaid, created a foreign exchange gain due to the strengthening of the Canadian dollar. Concurrent with the draw of U.S. dollar denominated borrowings, the Company entered into cross-currency swaps to offset the foreign currency risk resulting from holding U.S. dollar denominated borrowings. This transaction allows the Company to take advantage of the interest rate spread between CDOR and SOFR without taking on any foreign exchange risk.

INCOME TAXES

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

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

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

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

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

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

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

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

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

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

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

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

CAPITAL EXPENDITURES

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

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

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

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

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

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

Corporate Acquisition

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

Property Acquisitions

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

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

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

Total Property Acquisitions and Dispositions

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

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

LIQUIDITY AND CAPITAL RESOURCES

Bank debt

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

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

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

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

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

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

Senior unsecured notes

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

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

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

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

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

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

Normal course issuer bid

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

Dividends

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

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

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

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

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

Capital management

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

INVESTMENT IN TOPAZ ENERGY CORP ("TOPAZ")

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

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

SHARES AND STOCK OPTIONS OUTSTANDING

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

PAYMENTS DUE BY YEAR

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

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

(2) Includes processing and power commitments.

(3) Includes drilling commitments.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL RISK MANAGEMENT

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

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

As at December 31, 2023, the Company has entered into certain financial derivative contracts in order to manage commodity risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. Such financial derivative commodity contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of income and comprehensive income. The contracts that the Company entered into in 2023 are summarized in note 4 of the Company's consolidated financial statements for the year ended December 31, 2023.

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

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

The Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. Physical contracts in place at December 31, 2023 have been summarized and disclosed in note 4 of the Company's consolidated financial statements for the year ended December 31, 2023.

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

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

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

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

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

There were no changes in the Company's DC&P or ICFR during the period beginning on October 1, 2023 and ending December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

BUSINESS RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

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

IMPACT OF ENVIRONMENTAL REGULATIONS

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

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Non-GAAP Financial Measures

Cash Flow

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

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

Capital Expenditures

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

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

Operating Netback

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

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

Non-GAAP Financial Ratio

Operating Netback per-boe

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

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

Capital Management Measures

Adjusted Working Capital

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

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

Net Debt

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

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

SELECTED QUARTERLY INFORMATION

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

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

SELECTED ANNUAL INFORMATION

(\$000s unless otherwise noted)

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

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

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

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

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

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