



NEWS RELEASE

JANUARY 12, 2023

## TOURMALINE DECLARES \$2.00/SHARE SPECIAL DIVIDEND, PROVIDES OPERATIONAL AND 2023 GUIDANCE UPDATE

**Calgary, Alberta** - Tourmaline Oil Corp. (TSX:TOU) ("Tourmaline" or the "Company") is pleased to announce a special dividend and provide an operational and 2023 guidance update.

### SPECIAL DIVIDEND

Tourmaline is pleased to announce the declaration of a special dividend of \$2.00/share, given the continued strong financial performance and outlook for the Company. The special dividend is part of Tourmaline's comprehensive shareholder return plan and will be paid on February 1, 2023 to shareholders of record on January 24, 2023. This special dividend is designated as an "eligible dividend" for Canadian income tax purposes.

The Company anticipates paying further special dividends each quarter in 2023 and tactical utilization of its normal course issuer bid during the course of the year. Net debt<sup>(1)</sup> for year-end 2023 is forecast below the long-term net debt target of \$1.0-\$1.2 billion.

### PRODUCTION UPDATE

- Tourmaline achieved a 2022 exit volume production of 528,000 boepd (peak production was achieved December 12-18, 2022, with average production of 532,000 boepd during that period).
- Fourth quarter 2022 average production was approximately 512,000 boepd and was challenged by considerable unplanned operated and third-party downtime. The most significant outages were inlet compressor failures at the Tourmaline Aitken and Resthaven plants in November, unplanned disruptions on the Enbridge 26" mainline for five weeks in October and early November, NGL losses in BC in December due to railcar interruptions caused by extreme cold conditions, and higher than planned frac downtime in NEBC.
- The Company has elected to increase the downtime provision from 4% to 6% for 2023. The primary driver for the increased provision in 2023 is the absence of a finalized permitting framework in NEBC. The Company has sufficient permits in place to conduct its EP program for several years, but the distribution of these permits has led to increased frac related downtime. When the

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<sup>(1)</sup> "Net debt" is defined as bank debt and senior unsecured notes plus working capital deficit (adjusted for the fair value of financial instruments, short-term lease liabilities, short-term decommissioning obligations and unrealized foreign exchange in working capital deficit). See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2022 Management's Discussion and Analysis.

permitting framework is finalized, much of this higher provision will no longer be required. The Company now expects 2023 average production of 520,000-540,000 boepd, the broader range reflecting the higher downtime provision.

## Q4 2022 AND 2023 CASH FLOW OUTLOOK

- Given below normal temperatures in western North America in November and December and Tourmaline's significant exposure to those natural gas markets, the Company expects significantly higher cash flow in the fourth quarter of 2022 than originally forecasted. December average natural gas prices were US \$28.51/mmbtu at Hunt, US \$28.82/mmbtu at Malin, and US \$30.53/mmbtu at PG&E. Tourmaline sells approximately 390 mmcfpd into these markets.
- Tourmaline is now expecting cash flow<sup>(2)</sup> ("CF") of \$4.5 billion in 2023, based on updated strip pricing at January 3, 2023, yielding free cash flow<sup>(3)</sup> ("FCF") of \$2.6 billion on capital expenditures<sup>(4)</sup> of \$1.86 billion.
- Tourmaline commenced deliveries of 140,000 mmcfpd for its Gulf Coast LNG contract on January 1, 2023, realizing full exposure to JKM pricing.
- As previously disclosed, the Company intends to return 50-90% of FCF to shareholders in 2023.
- Given significantly enhanced cash flow in Q4 2022 and anticipated strong Q1 2023 cash flow, the Company has elected to pay a special dividend of \$2.00/share. The special dividend will be paid on February 1, 2023 to shareholders of record on January 24, 2023.

## CAPITAL PROGRAMS

- The Company estimates capital expenditures, excluding A&D, of approximately \$1.7 billion in 2022 as inflation was on average 7% higher in the second half of 2022 than the 18% inflation contingency previously assumed in the mid-2022 outlook.
- Tourmaline now plans EP capital spending of \$1.675 billion in 2023 reflecting an inflation contingency of 25% for 2023 compared to 2021 levels.
- The 2023 total capital expenditures budget also includes approximately \$100 million for exploration directed spending including drilling approximately 15 wells, seismic expenditures and follow up land sale activity. The Company will carry the exploration program as a separate, incremental capital item on a go forward basis outside of the base EP plan given the slightly higher risk nature of those

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(2) "Cash flow" is a non-GAAP financial measure defined as cash flow from operating activities adjusted for the change in non-cash working capital (deficit) and income tax expense. See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2022 Management's Discussion and Analysis.

(3) "Free cash flow" is a non-GAAP financial measure defined as cash flow less capital expenditures, excluding acquisitions and dispositions. Free cash flow is prior to dividend payments. See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2022 Management's Discussion and Analysis.

(4) "Capital Expenditures" is a non-GAAP financial measure defined as cash flow from investing activities adjusted for the change in non-cash working capital (deficit), and corporate acquisitions. See "Non-GAAP Financial Measures" in this news release and in the Company's Q3 2022 Management's Discussion and Analysis.

expenditures. The Company views this successful exploration program as a good use of excess FCF beyond what is being returned to shareholders. Excess FCF may also be allocated to margin-improving midstream investments, acquisitions, and environmental performance improvement initiatives.

- The Company is maintaining the long-term net debt target in the \$1.0-1.2 billion range (approximately 0.2 times anticipated 2023 cash flow).

## EP UPDATE

- The Company is currently operating the full drilling rig fleet (13-14 rigs) across all three operated complexes, with one rig in 2023 focused primarily on new pool/new zone exploration activities.
- The Gundy complex achieved a record average production of 402 mmcfpd of natural gas in December with 27,000 bpd of condensate and NGLs.
- The most recent seven well Lower Charlie Lake pad in the Peace River High complex, brought on-stream in December, is producing at 5,150 boepd (2,844 bpd oil and 14 mmcf natural gas).
- The Company is pleased with the expanding exploration effort across all three operated complexes, with an additional nine new pool/new zone discoveries in 2022. The Company drilled 11 new pool/new zone and discovery delineation follow up wells in 2022 and is planning 15 exploration wells in 2023. The Company estimates the exploration activities have added 481 gross locations to the existing drilling inventory thus far. Production from this organic growth program will access the Company's existing extensive infrastructure network.
- As disclosed previously, the Company believes it has generated two material new play discoveries over the past three years. Reserves of 845.1 bcfe have been booked in the 2021 year-end independent reserve report. Tourmaline will test several additional new pool/new play opportunities over the next two years which could lead to further material reserve, production, and inventory additions.
- Tourmaline currently has 301 valid drilling permits in NEBC and expects to drill approximately 140 net wells in BC in 2023. While the Company is well positioned to maintain or modestly grow BC production over the next two-three years, the remaining permits don't allow for the most efficient EP program execution. Many of the permits are on existing large pads which leads to unusually high frac related impairments during completion operations (for example, frac downtime at Gundy increased from 5.5% to 10% in 2022). Some of the remaining permits are for Tier 2 locations which, given the size of Tourmaline's Tier 1 inventory, would not otherwise be drilled at this time. These Tier 2 locations are, however, economic at gas prices of \$1.50/mcf. The greater frac-related impairment and the subset of Tier 2 locations being drilled has been factored into current 2023 production guidance. The Company remains confident that an agreement between the BRFN and BC First Nations with the Province of British Columbia will be reached in 2023.

## 2021 SUSTAINABILITY REPORT

- Tourmaline released its 2021 Sustainability Report on December 22, 2022, and it can be found on the Company's website. This report contains 2021 performance data and includes our new methane emission intensity reduction target of 55% by 2027, using 2020 as a benchmark. We reiterate our target to reduce scope 1 core emission intensity by 25% by 2027, from 2018 levels.
- Tourmaline lowered scope 1 and 2 emission intensity by 12% in 2021, relative to 2020 levels.

### Reader Advisories

#### CURRENCY

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

#### FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements (collectively, "**forward-looking information**") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results, business opportunities and shareholder return plan, including the following: the use of the normal course issuer bid; the future declaration and payment of dividends and the timing and amount thereof which assumes, among other things, the availability of free cash flow to fund such dividends; anticipated petroleum and natural gas production and production growth for various periods including estimated production levels for the fourth quarter of 2022 and full-year 2023; expected full-year 2022 total capital spending and 2023 EP capital spending levels; the number of expected wells to be drilled, completed, and brought on production in Q1 2023; the anticipated receipt of drilling permits and that BRFN and BC First Nations will reach an agreement with the Province of British Columbia; anticipated winter natural gas prices; anticipated inflationary contingencies; emission reduction targets and anticipated 2022 and 2023 cash flow and free cash flow and 2023 net debt. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange rates; the degree to which Tourmaline's operations and production may be disrupted or by circumstances attributable to supply chain disruptions and the COVID-19 pandemic and the responses of governments and the public to the pandemic; applicable royalty rates and tax laws; interest rates; inflation; future well production rates and reserve volumes; operating costs, the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the benefits to be derived from acquisitions; the state of the economy and the exploration and production business including the impacts of the COVID-19 pandemic and the responses of governments and the public to the

pandemic thereon; the availability and cost of financing, labour and services; and ability to market crude oil, natural gas and natural gas liquids 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 is dependent upon, among other things, free 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.

Although Tourmaline believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Tourmaline can give no assurances that it will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; supply chain disruptions; the uncertain impacts of COVID-19 on Tourmaline's business, and the societal, economic and governmental response to COVID-19; the uncertainty of estimates and projections relating to reserves, production, revenues, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; changes in rates of inflation; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; ability to access sufficient capital from internal and external sources; uncertainties associated with counterparty credit risk; failure to obtain required regulatory and other approvals including drilling permits and the impact of not receiving such approvals on the Company's long-term planning; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Readers are cautioned that the foregoing list of factors is not exhaustive.

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

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

## **UNAUDITED FINANCIAL INFORMATION**

Certain anticipated financial and operating results for 2022 included in this news release such as cash flow, free cash flow, capital expenditures and production information are based on unaudited estimated results. These estimated results are subject to change upon completion of the audited financial statements for the year ended December 31, 2022, and changes could be material.

## **BOE EQUIVALENCY**

In this news release, production information may be presented on a “barrel of oil equivalent” or “BOE” basis. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

## **FINANCIAL OUTLOOKS**

Also included in this news release are estimates of Tourmaline's 2023 CF and net debt level, which are based on, among other things, the various assumptions as to production levels, capital expenditures, annual cash flows and other assumptions disclosed in this news release and including Tourmaline's estimated 2023 average daily production of 530,000 boepd, 2023 commodity price assumptions for natural gas (\$3.96/mcf NYMEX US, \$3.55/mcf AECO, \$24.34/mcf JKM US), crude oil (\$76.25/bbl WTI US) and an exchange rate assumption of \$0.73 (US/CAD). To the extent such estimates constitutes a financial outlook, it was approved by management and the Board of Directors of Tourmaline on January 12, 2023 and is included to provide readers with an understanding of Tourmaline's anticipated cash flow and net debt level based on the capital expenditure, production and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

## **NON-GAAP AND OTHER FINANCIAL MEASURES**

This news release contains the terms cash flow, capital expenditures and free cash flow which are considered "non-GAAP financial measures". These terms do not have a standardized meaning prescribed by GAAP. In addition, this news release contains the term net debt, which is considered a "capital management measure" and does not have a standardized meaning prescribed by GAAP. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. 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. See "Non-GAAP and Other Financial Measures" in the most recent Management's Discussion and Analysis for more information on the definition and description of these terms.

## OIL AND GAS METRICS

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

## SUPPLEMENTAL INFORMATION REGARDING PRODUCT TYPES

This news release includes references to 2022 exit production, Q4 2022 production, and full-year 2023 expected average daily production. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

	Light and Medium Crude Oil <sup>(1)</sup>	Conventional Natural Gas	Shale Natural Gas	Natural Gas Liquids <sup>(1)</sup>	Oil Equivalent Total
	Company Gross (Bbls)	Company Gross (Mcf)	Company Gross (Mcf)	Company Gross (Bbls)	Company Gross (Boe)
2022 Exit Production.....	44,900	1,352,600	1,098,400	74,600	528,000
Q4 2022					
Production.....	43,500	1,311,500	1,065,000	72,415	512,000
2023 Expected Average					
Daily Production.....	48,300	1,336,100	1,118,500	72,600	530,000

(1) For the purposes of this disclosure, condensate has been combined with Light and Medium Crude Oil as the associated revenues and certain costs of condensate are similar to Light and Medium Crude Oil. Accordingly, NGLs in this disclosure exclude condensate.

## **CERTAIN DEFINITIONS:**

<i>1H</i>	first half
<i>2H</i>	second half
<i>bbl</i>	barrel
<i>bbls/day</i>	barrels per day
<i>bbl/mmcft</i>	barrels per million cubic feet
<i>bcf</i>	billion cubic feet
<i>bcfe</i>	billion cubic feet equivalent
<i>bpd or bbl/d</i>	barrels per day
<i>boe</i>	barrel of oil equivalent
<i>boepd or boe/d</i>	barrel of oil equivalent per day
<i>bopd or bbl/d</i>	barrel of oil, condensate or liquids per day
<i>DUC</i>	drilled but uncompleted wells
<i>EP</i>	exploration and production
<i>gj</i>	gigajoule
<i>gjs/d</i>	gigajoules per day
<i>JKM</i>	Japan Korea Marker
<i>mbbls</i>	thousand barrels
<i>mmbbls</i>	million barrels
<i>mboe</i>	thousand barrels of oil equivalent
<i>mboepd</i>	thousand barrels of oil equivalent per day
<i>mcf</i>	thousand cubic feet
<i>mcfpd or mcf/d</i>	thousand cubic feet per day
<i>mcfe</i>	thousand cubic feet equivalent
<i>mmboe</i>	million barrels of oil equivalent
<i>mmbtu</i>	million British thermal units
<i>mmbtu/d</i>	million British thermal units per day
<i>mmcf</i>	million cubic feet
<i>mmcfpd or mmcf/d</i>	million cubic feet per day
<i>MPa</i>	megapascal
<i>mstb</i>	thousand stock tank barrels
<i>natural gas</i>	conventional natural gas and shale gas
<i>NCIB</i>	normal course issuer bid
<i>NGL or NGLs</i>	natural gas liquids
<i>tcf</i>	trillion cubic feet



## ABOUT TOURMALINE OIL CORP.

Tourmaline is Canada's largest and most active natural gas producer dedicated to producing the lowest-emission and lowest-cost natural gas in North America. We are an investment grade exploration and production company providing strong and predictable operating and financial performance through the development of our three core areas in the Western Canadian Sedimentary Basin. With our existing large reserve base, decades-long drilling inventory, relentless focus on execution and cost management, and industry-leading environmental performance, we are excited to provide shareholders an excellent return on capital, and an attractive source of income through our base dividend and surplus free cash flow distribution strategies

### FOR FURTHER INFORMATION, PLEASE CONTACT:

Tourmaline Oil Corp.

Michael Rose

Chairman, President and Chief Executive Officer

(403) 266-5992

OR

Tourmaline Oil Corp.

Brian Robinson

Vice President, Finance and Chief Financial Officer

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

OR

Tourmaline Oil Corp.

Scott Kirker

Chief Legal Officer

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

OR

Tourmaline Oil Corp.

Jamie Heard

Manager, Capital Markets

(403) 767-5942; jamie.heard@tourmalineoil.com

OR

Tourmaline Oil Corp.

Suite 2900, 250 – 6th Avenue S.W.

Calgary, Alberta T2P 3H7

Phone: (403) 266-5992; Facsimile: (403) 266-5952

E-mail: info@tourmalineoil.com

Website: www.tourmalineoil.com