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

As at September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013

CONTENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This management’s discussion and analysis (“MD&A“) should be read in conjunction with Tourmaline’s unaudited interim condensed consolidated financial statements and related notes as at and for the three and nine months ended September 30, 2014 and the consolidated financial statements for the year ended December 31, 2013. Both the consolidated financial statements and the MD&A can be found at www.sedar.com. This MD&A is dated November 5, 2014.

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

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

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

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

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

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including the impact of general economic conditions; volatility in market prices for crude oil, NGL and natural gas; industry conditions; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil, NGL and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management; changes in income tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, any of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; the receipt of applicable approvals; and the other risks considered under "Risk Factors" in Tourmaline's most recent annual information form available at www.sedar.com.

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

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

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

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

PRODUCTION

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
Natural gas (mcf/d)	**562,739**	396,592	42%	**550,685**	381,025	45%
Oil (bbl/d)	**9,002**	5,845	54%	**9,136**	5,645	62%
NGL (bbl/d)	**5,205**	2,152	142%	**5,941**	1,841	223%
Oil equivalent (boe/d)	**107,997**	74,096	46%	**106,858**	70,990	51%

Production for the three months ended September 30, 2014 averaged 107,997 boe/d, a 46% increase over the average production for the same quarter of 2013 of 74,096 boe/d. For the nine months ended September 30, 2014, production increased 51% to 106,858 boe/d from 70,990 boe/d for the same period in 2013. The Company's significant production growth, when compared to 2013, can be primarily attributed to new wells that have been brought on-stream since September 30, 2013, as well as property and corporate acquisitions. Production was 87% natural gas weighted in the third quarter of 2014 compared to 89% in the third quarter of 2013. The accelerated growth in oil and NGL production is the result of increased drilling in the Spirit River/Peace River High Charlie Lake oil plays, incremental liquids recovered in the Wild River area via deep cut processing, which began in late 2013, and strong condensate recoveries from new wells tied-in in N.E.B.C.

Full-year average production guidance for 2014 was revised to 115,000 from 120,000 boe/d (as disclosed in the Company's press release dated October 20, 2014). This reduction in full-year guidance is due to facility project delays, as well as unscheduled downtime relating to third-party facilities and pipelines.

REVENUE

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2014**	2013	Change	**2014**	2013	Change
Revenue from:						
Natural gas	**$ 224,468**	$ 120,547	86%	**$ 720,338**	$ 371,324	94%
Oil and NGL	**97,517**	67,427	45%	**301,452**	182,426	65%
Total revenue from natural gas, oil and NGL sales	**$ 321,985**	$ 187,974	71%	**$ 1,021,790**	$ 553,750	85%

Revenue for the three months ended September 30, 2014 increased 71% to $322.0 million from $188.0 million for the same quarter of 2013. Revenue for the nine-month period ended September 30, 2014 grew 85% from $553.8 million in 2013 to $1,021.8 million in 2014. Revenue growth is consistent with the increase in production and the rise in natural gas prices for the same periods, partially offset by weaker NGL prices. Revenue includes all petroleum, natural gas and NGL sales and realized gain (loss) on financial instruments.

TOURMALINE PRICES:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
Natural gas ($/mcf)	**$ 4.34**	$ 3.30	32%	**$ 4.79**	$ 3.57	34%
Oil ($/bbl)	**$ 94.77**	$ 100.40	(6)%	**$ 95.84**	$ 96.65	(1)%
NGL ($/bbl)	**$ 39.74**	$ 67.89	(41)%	**$ 38.49**	$ 66.61	(42)%
Oil equivalent ($/boe)	**$ 32.41**	$ 27.58	18%	**$ 35.03**	$ 28.57	23%

BENCHMARK GAS AND OIL PRICES:

	Three Months Ended September 30,		
	2014	2013	Change
Natural gas			
NYMEX Henry Hub (USD$/mcf)	**$ 3.95**	$ 3.56	11%
AECO (CAD$/mcf)	**$ 4.03**	$ 2.45	64%
Oil			
NYMEX (USD$/bbl)	**$ 97.25**	$ 105.81	(8)%
Edmonton Par (CAD$/bbl)	**$ 97.11**	$ 105.36	(8)%

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

	Three Months Ended September 30,		
($/mcf)	**2014**	2013	Change
AECO index	**$ 4.03**	$ 2.45	64%
Heat/quality differential	**0.28**	0.30	(7)%
Realized gain (loss)	**0.03**	0.55	(95)%
Tourmaline realized natural gas price	**$ 4.34**	$ 3.30	32%

CURRENCY – EXCHANGE RATES:

	Three Months Ended September 30,		
	2014	2013	Change
CAD$/USD$	**$ 0.9186**	$ 0.9627	(5)%

The realized average natural gas price for the three and nine months ended September 30, 2014 was 32% and 34%, respectively, higher than the same periods of the prior year. The higher natural gas price reflects the higher AECO prices experienced during the periods. Included in the realized price is a gain on commodity contracts in the third quarter of 2014 of $1.5 million (nine months ended September 30, 2014 – loss of $41.9 million) compared to a gain of $20.1 million for the same period of the prior year (nine months ended September 30, 2013 – gain of $26.5 million). Realized gains on commodity contracts for the quarter ended September 30, 2014 have decreased compared to the same period of the prior year as the market price of natural gas has strengthened relative to the pricing per the commodity contracts in place. Realized prices exclude the effect of unrealized gains or losses on commodity contracts. Once these gains and losses are realized they are included in the per-unit amounts. The realized natural gas price for the three months ended September 30, 2014 includes a 7% premium to AECO pricing received due to the higher heat content (three months ended September 30, 2013 – 12%).

Realized oil prices were relatively unchanged for the three and nine months ended September 30, 2014. For the three-month period ending September 30, 2014, NGL prices decreased 41% from $67.89/bbl to $39.74/bbl, when compared to the same period in 2013. NGL prices decreased 42% for the nine-month period ended September 30, 2014, when compared to the same period of the prior year. The proportion of ethane in the NGL mix, which is priced significantly lower than the other products, increased from approximately 9% in the third quarter of 2013 to 38% in the third quarter of 2014 due to deep cut processing in the Wild River area of Alberta, resulting in a corresponding decrease in the realized NGL pricing. The economics of the deep cut processing activities are favourable when compared to leaving the ethane in the natural gas stream.

ROYALTIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2014**	2013	**2014**	2013
Natural gas	**$ 14,240**	$ 7,709	**$ 54,712**	$ 19,756
Oil and NGL	**15,309**	10,089	**41,875**	24,259
Total royalties	**$ 29,549**	$ 17,798	**$ 96,587**	$ 44,015
Royalties as a percentage of revenue	**9.2%**	9.5%	**9.5%**	7.9%

For the quarter ended September 30, 2014, the average effective royalty rate of 9.2% remained consistent with the rate of 9.5% for the same quarter of 2013. For the nine-month period ended September 30, 2014, the average effective royalty rate increased from 7.9% in 2013 to 9.5% in 2014. The increase in the year-to-date average effective royalty rate for 2014 can be attributed to higher oil and NGL production which have higher royalty rates, as well as an increase in natural gas prices. Royalty rates are impacted by changes in commodity prices whereby the rate increases when prices increase.

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

The Company expects its royalty rate for 2014 to remain at approximately 10%. The royalty rate is however sensitive to commodity prices and product mixes, and as such, a change in commodity prices or product mix will impact the actual rate.

OTHER INCOME

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2014**	2013	Change	**2014**	2013	Change
Other income	**$ 3,544**	$ 1,663	113%	**$ 12,945**	$ 4,231	206%

Other income increased from $1.7 million in the third quarter of 2013 to $3.5 million in 2014. For the nine-month period ended September 30, 2014, other income increased from $4.2 million in 2013 to $12.9 million in 2014. The increase in processing income is mainly due to fees charged to working interest partners on Tourmaline-operated wells where gas is being processed through the Company-owned Banshee and Hinton gas processing plants. Tourmaline has experienced rapid growth in production volumes in these areas.

OPERATING EXPENSES

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per-unit amounts	**2014**	2013	Change	**2014**	2013	Change
Operating expenses	**$ 53,758**	$ 29,718	81%	**$ 151,645**	$ 83,494	82%
Per boe	**$ 5.41**	$ 4.36	24%	**$ 5.20**	$ 4.31	21%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the third quarter of 2014, total operating expenses were $53.8 million compared to $29.7 million in 2013. Operating costs for the nine months ended September 30, 2014 were $151.6 million, compared to $83.5 million for the same period in 2013, reflecting increased costs relating to the growing production base.

On a per-boe basis, the costs increased from $4.36/boe for the third quarter of 2013 to $5.41/boe in the third quarter of 2014. For the nine months ended September 30, 2014, operating costs increased to $5.20/boe from $4.31/boe in the prior year. The production of oil and NGLs incurs higher per-unit operating costs compared to natural gas. As the Company's production profile becomes more heavily weighted to oil and NGLs, we anticipate an increase in per-unit operating expenses. The per-unit operating costs in the Wild River area have also increased as approximately 70 mmcfpd of natural gas is being processed through third-party fractionation facilities in an effort to recover more valuable natural gas liquids. The Company's operating expenses also increased with the addition of volumes from the Santonia acquisition, which were subject to higher per-unit costs. It is expected that as this new production is processed through Tourmaline facilities and is subject to the same efficiencies, the costs associated with these incremental volumes will fall more in line with the corporate average.

The Company's operating expenses in the third quarter of 2014 include third-party processing, gathering, and compression fees of approximately $13.3 million or 25% of total operating costs (three months ended September 30, 2013 - $8.7 million or 29% of total operating costs). For the nine-month period ended September 30, 2014, the Company's operating expenses included $40.7 million related to third-party processing, gathering and compression fees (27% of total operating costs) compared to $24.4 million (29% of total operating costs) for the same period in the prior year.

The Company expects its full year 2014 operating costs to average approximately $5.05/boe, which has increased from previous guidance of $4.90/boe (as disclosed in the Company's MD&A dated August 6, 2014). Forecast operating costs have been increased to reflect the growth in oil and NGL production as well as additional costs for processing and fractionation of liquids extracted through deep cut facilities. The Company expects unit operating costs in the Peace River High Charlie Lake oil play to decrease from current levels as permanent processing facilities are brought into service during 2015. Actual costs per boe can change depending on a number of factors including the Company's actual production levels.

TRANSPORTATION

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per-unit amounts	**2014**	2013	Change	**2014**	2013	Change
Natural gas transportation	**$ 13,285**	$ 9,404	41%	**$ 37,910**	$ 26,451	43%
Oil and NGL transportation	**4,950**	4,298	15%	**16,956**	12,328	38%
Total transportation	**$ 18,235**	$ 13,702	33%	**$ 54,866**	$ 38,779	41%
Per boe	**$ 1.84**	$ 2.01	(8)%	**$ 1.88**	$ 2.00	(6)%

Transportation costs for the three months ended September 30, 2014 were $18.2 million or $1.84/boe compared to $13.7 million or $2.01/boe for the same period of the prior year. For the nine months ended September 30, 2014, transportation costs were $54.9 million or $1.88/boe compared to $38.8 million or $2.00/boe for the first nine months of 2013. Total transportation costs for the three and nine month periods increased as a result of higher production volumes. The decrease in per-unit transportation costs for the three and nine month periods ending September 30, 2014 is due to the decreased use of more expensive truck and rail transportation, as facilities and facility interconnects were commissioned throughout 2014.

GENERAL & ADMINISTRATIVE EXPENSES (“G&A”)

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per-unit amounts	**2014**	2013	Change	**2014**	2013	Change
G&A expenses	**$ 11,548**	$ 9,791	18%	**$ 34,445**	$ 27,227	27%
Administrative and capital recovery	**(336)**	(606)	(45)%	**(2,519)**	(1,332)	89%
Capitalized G&A	**(4,753)**	(4,519)	5%	**(13,718)**	(11,072)	24%
Total G&A expenses	**$ 6,459**	$ 4,666	38%	**$ 18,208**	$ 14,823	23%
Per boe	**$ 0.65**	$ 0.68	(4)%	**$ 0.62**	$ 0.76	(18)%

G&A expenses for the third quarter of 2014 were $6.5 million ($0.65/boe) compared to $4.7 million ($0.68/boe) for the same quarter of the prior year. G&A expenses for the nine-month period ended September 30, 2014 were $18.2 million ($0.62/boe) compared to $14.8 million ($0.76/boe) for the same period in 2013. The increase in G&A expenses in 2014 compared to 2013 is primarily due to staff additions needed to manage the larger production, reserve and land base, as well as the higher drilling rig count. The Company increased its staff count by approximately 30% from September 2013 to September 2014. The decrease in G&A expenses per boe reflects Tourmaline’s growing production base which continues to increase at a faster rate than the accompanying G&A costs.

G&A costs for 2014 are expected to be approximately $0.60/boe. Actual costs per boe can change, however, depending on a number of factors including the Company’s actual production levels.

SHARE-BASED PAYMENTS

(000s) except per-unit amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Share-based payments	**$ 14,668**	$ 10,882	**$ 41,682**	$ 27,026
Capitalized share-based payments	**(7,334)**	(5,441)	**(20,841)**	(13,513)
Total share-based payments	**$ 7,334**	$ 5,441	**$ 20,841**	$ 13,513
Per boe	**$ 0.74**	$ 0.80	**$ 0.71**	$ 0.70

The Company uses the fair value method for the determination of non-cash related share-based payments expense. During the third quarter of 2014, 785,000 stock options were granted to employees, officers, directors and key consultants at a weighted-average exercise price of $52.64 and 242,102 options were exercised, bringing $5.0 million of cash into treasury.

The Company recognized $7.3 million of share-based payments expense in the third quarter of 2014 compared to $5.4 million in the third quarter of 2013. Capitalized share-based payments for the third quarter of 2014 were $7.3 million compared to $5.4 million for the same quarter of the prior year.

For the nine months ended September 30, 2014, share-based payment expense totalled $20.8 million and a further $20.8 million in share-based payments were capitalized (nine months ended September 30, 2013 - $13.5 million and $13.5 million, respectively). Share-based payments are higher in 2014 compared to the same periods in 2013, which reflects the increased value attributed to the options and a higher number of options outstanding.

DEPLETION, DEPRECIATION AND AMORTIZATION (“DD&A”)

(000s) except per-unit amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Total depletion, depreciation and amortization	**$ 123,919**	$ 96,250	**$ 366,556**	$ 259,990
Less mineral lease expiries	**(1,106)**	(15,819)	**(14,415)**	(30,845)
Depletion, depreciation and amortization	**$ 122,813**	$ 80,431	**$ 352,141**	$ 229,145
Per boe	**$ 12.36**	$ 11.80	**$ 12.07**	$ 11.82

DD&A expense, excluding mineral lease expiries, was $122.8 million for the third quarter of 2014 compared to $80.4 million for the same period of 2013. For the nine-month period ended September 30, 2014, DD&A expense (excluding mineral lease expires) was $352.1 million compared to $229.1 million in the same period of 2013. The increase in DD&A expense in 2014 over the same periods in 2013 is due to higher production volumes, as well as a larger capital asset base being depleted.

The per-unit DD&A rate (excluding the impact of mineral lease expiries) was $12.36/boe for the third quarter of 2014 compared to the rate of $11.80/boe for the same quarter in 2013. The per-unit DD&A rate (excluding the impact of mineral lease expiries) was $12.07/boe for the nine-month period ended September 30, 2014 compared to the rate of $11.82/boe in the same period of the prior year.

Mineral lease expiries for the three months ended September 30, 2014 were $1.1 million, compared to expiries in the same quarter of the prior year of $15.8 million. For the nine months ended September 30, 2014 expiries were $14.4 million compared with $30.8 million for the same period in 2013. The Company's aggressive drilling program in 2014 has allowed for an increased number of leases to be continued, thereby reducing expiries.

FINANCE EXPENSES

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s)	**2014**	2013	Change	**2014**	2013	Change
Interest expense	**$ 5,793**	$ 2,692	115%	**$ 16,112**	$ 8,669	86%
Accretion expense	**594**	533	11%	**1,755**	1,412	24%
Transaction costs on corporate and property acquisitions	–	421	(100)%	**1,496**	1,091	37%
Total finance expenses	**$ 6,387**	$ 3,646	75%	**$ 19,363**	$ 11,172	73%

Finance expenses are comprised of interest expense, accretion of provisions and transaction costs associated with corporate and property acquisitions. Finance expenses for the three and nine months ended September 30, 2014 totalled $6.4 million and $19.4 million, respectively (three and nine months ended September 30, 2013 - $3.6 million and $11.2 million, respectively). The increase in finance expenses in 2014 over 2013 is mainly due to the higher average bank debt outstanding, partially offset by a lower average effective interest rate. The average bank debt outstanding for the nine months ended September 30, 2014 was $639.2 million (September 30, 2013 - $311.2 million), with an average effective interest rate of 2.99% (2013 – 3.06%).

DEFERRED INCOME TAXES

For the three months ended September 30, 2014, the provision for deferred income tax expense was $29.3 million compared to $8.8 million for the same period in 2013. For the nine-month period ended September 30, 2014, the provision for deferred income tax expense was $87.4 million compared to $42.7 million for the same period in 2013. The increase is consistent with the higher pre-tax earnings recorded in the third quarter and first nine months of 2014 compared to the respective periods in 2013.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

	Three Months Ended September 30,			Nine Months Ended September 30,		
(000s) except per-unit amounts	**2014**	2013	Change	**2014**	2013	Change
Cash flow from operating activities	**$ 233,047**	$ 128,192	82%	**$ 714,193**	$ 350,387	104%
Per share[1]	**$ 1.13**	$ 0.68	66%	**$ 3.52**	$ 1.88	87%
Cash flow [2]	**$ 211,635**	$ 120,560	76%	**$ 695,764**	$ 366,029	90%
Per share [1] [2]	**$ 1.03**	$ 0.64	61%	**$ 3.43**	$ 1.96	75%
Net earnings	**$ 67,357**	$ 9,163	635%	**$ 223,662**	$ 91,351	145%
Per share [1]	**$ 0.33**	$ 0.05	560%	**$ 1.10**	$ 0.49	124%
Operating netback per boe [2]	**$ 22.19**	$ 18.59	19%	**$ 24.64**	$ 19.99	23%

(1) *Fully diluted*
(2) *See "Non-GAAP Financial Measures"*

Cash flow for the three months ended September 30, 2014 was $211.6 million or $1.03 per diluted share compared to $120.6 million or $0.64 per diluted share for the same period of 2013. Cash flow for the nine months ended September 30, 2014 was $695.8 million or $3.43 per diluted share compared to $366.0 million or $1.96 per diluted share for the same period of 2013.

The Company had after-tax earnings for the three months ended September 30, 2014 of $67.4 million or $0.33 per diluted share compared to $9.2 million or $0.05 per diluted share for the same period of 2013. For the nine-month period ended September 30, 2014, after-tax earnings were $223.7 million or $1.10 per diluted share compared to $91.4 million or $0.49 per diluted share for the corresponding period of 2013. The increase in both cash flow and after-tax earnings in 2014 reflects higher realized natural gas prices, as well as a significant increase in production over 2013.

CAPITAL EXPENDITURES

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2014**	2013	**2014**	2013
Land and seismic	**$ 11,973**	$ 17,566	**$ 49,123**	$ 34,348
Drilling and completions	**354,715**	205,324	**772,750**	441,327
Facilities	**277,771**	132,097	**572,369**	263,800
Property acquisitions	**–**	108,763	**4,777**	144,746
Property dispositions	**(2,425)**	(100)	**(2,525)**	(78,045)
Other	**5,268**	4,611	**14,937**	11,299
Total cash capital expenditures	**$ 647,302**	$ 468,261	**$ 1,411,431**	$ 817,475

During the third quarter of 2014, the Company invested $647.3 million of cash consideration, net of dispositions, compared to $468.3 million for the same period of 2013. Expenditures on exploration and production were $644.5 million compared to $355.0 million for the same quarter of 2013, which is consistent with the Company's aggressive growth strategy which includes the increase to a 20-rig drilling program up from the average program of 15 rigs for the third quarter of 2013. For the nine-month period ended September 30, 2014, the Company invested $1,411.4 million of cash consideration, net of dispositions, compared to $817.5 million for the same period in 2013. Expenditures on exploration and production were $1,394.2 million compared with $739.5 million for the same period in 2013.

The growth in facilities expenditures includes work on the completion of the 50 mmcfpd facilities at each of Doe and Musreau as well as a new 50 mmcfpd facility at Sundown commissioned in September 2014. Significant expenditures were also made at the new sour gas processing Spirit River gas plant (30 mmcfpd) to be put into service in mid-November and the 50 mmcfpd expansion at Wild River, scheduled to be on-stream in December 2014. It also includes several large pipeline lateral projects. These pipeline projects are intended to optimize transportation of natural gas to Tourmaline operated processing facilities.

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

	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Gross	**Net**	Gross	Net
Drilled	**140**	**121.49**	81	72.45
Completed	**127**	**112.08**	72	66.27
Tied-in	**57**	**50.81**	33	31.69

Corporate Acquisition

On April 24, 2014, the Company acquired all of the issued and outstanding shares of Santonia Energy Inc. ("Santonia"). As consideration, the Company issued 3,228,234 common shares at a price of $54.94 per share. Total transaction costs incurred by the Company of $1.5 million associated with this acquisition were expensed in the interim consolidated statement of income and comprehensive income. The acquisition resulted in an increase in Property, Plant and Equipment ("PP&E") of approximately $167.5 million and an increase to Exploration and Evaluation ("E&E") assets of $19.1 million. The acquisition of Santonia provides for an increase in lands and production in a highly profitable core area of the Alberta Deep Basin.

LIQUIDITY AND CAPITAL RESOURCES

On February 12, 2014, the Company issued 4.615 million common shares at a price of $47.50 per share for total gross proceeds of $219.2 million. The proceeds were used to temporarily reduce bank debt and were used to fund the Company's 2014 exploration and development program.

On April 24, 2014, the Company closed the acquisition of Santonia Energy Inc. ("Santonia") with the issuance of 3.228 million Tourmaline shares at $54.94 per Tourmaline share, for consideration of $177.4 million. The Company also assumed Santonia's net debt of $40.6 million, which included $8.9 million in transaction costs.

On June 2, 2014, the Company issued 1.15 million flow-through common shares at a price of $68.15 per share, for total gross proceeds of $78.4 million. The proceeds were used to temporarily reduce bank debt and to fund the Company's 2014 exploration and development program.

On October 29, 2014, the Company entered into an agreement to sell a 25% working interest in the Peace River High complex for cash consideration of $500.0 million. The sale is scheduled to close in December 2014, and is subject to final terms and conditions. The Company will continue to be the operator of all the jointly-controlled assets.

The Company has a covenant-based bank credit facility in place with a syndicate of bankers, the details of which are described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2013. In May 2014, the facility was increased to $1.3 billion from $900 million, with an initial maturity of June 2017. The revisions to the credit facility included the removal of the "adjusted EBITDA to interest expense" covenant as well as a revision to the definition of senior debt to mean generally the indebtedness, liabilities and obligations of the Company to the lenders under the credit facility. In September 2014, the facility was further increased to $1.6 billion, with the same terms and conditions as were set in the May 2014 revision.

On November 3, 2014, the Company entered into a five-year term loan agreement with a Canadian Chartered Bank for $250.0 million, bearing an interest rate of 240 basis points over the applicable bankers' acceptance rate. The covenants for the term loan are similar to those under the Company's current credit facility and the term loan will rank equally with the obligations under the Company's credit facility. Proceeds from the term loan will be used to repay a portion of the current outstanding bank debt.

The Company's aggregate borrowing capacity is now $1.85 billion. The increase in borrowing capacity will provide the Company with greater flexibility when executing its capital program.

As at September 30, 2014, the Company had negative working capital of $495.2 million, after adjusting for the fair value of financial instruments (the unadjusted working capital deficiency was $493.2 million) (December 31, 2013 – $242.6 million and $245.3 million, respectively). As at September 30, 2014, the Company had $763.7 million drawn on its credit facility (December 31, 2013 - $590.3 million), and net debt was $1,258.9 million (December 31, 2013 - $832.9 million). Management believes the Company has sufficient liquidity and capital resources to fund the remainder of its 2014 and its 2015 exploration and development programs through expected cash flow from operations and its unutilized borrowing capacity.

SHARES AND STOCK OPTIONS OUTSTANDING

As at November 5, 2014, the Company has 201,744,726 common shares outstanding and 15,314,722 stock options granted and outstanding.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

Payments Due by Year (000s)	1 Year	2-3 Years	4-5 Years	> 5 Years	Total
Operating leases	$ 4,310	$ 10,004	$ 10,027	$ 2,467	$ 26,808
Flow-through obligations	–	27,109	–	–	27,109
Firm transportation and processing agreements	100,353	435,237	244,396	489,791	1,269,777
Bank debt[1]	–	827,817	–	–	827,817
	$ 104,663	$ 1,300,167	$ 254,423	$ 492,258	$ 2,151,511

[1] Includes interest expense at an annual rate of 2.77% being the rate applicable to outstanding bank debt at September 30, 2014.

OFF BALANCE SHEET ARRANGEMENTS

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

FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are discussed in note 5 of the Company's audited consolidated financial statements for the year ended December 31, 2013.

As at September 30, 2014, the Company has entered into certain financial derivative contracts in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. Such financial derivative commodity contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of income and comprehensive income. The contracts that the Company has in place at September 30, 2014 are summarized and disclosed in note 3 of the Company's interim condensed consolidated financial statements for the three and nine months ended September 30, 2014 and 2013.

The following table provides a summary of the unrealized gains (losses) on financial instruments for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2014**	2013	**2014**	2013
Unrealized gain (loss) on financial instruments	**$ 15,606**	$ (4,701)	**$ 4,429**	$ (5,199)

The Company has entered into physical delivery sales contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. Physical contracts in place at September 30, 2014 have been summarized and disclosed in note 3 of the Company's interim condensed consolidated financial statements for the three and nine months ended September 30, 2014 and 2013.

There were no financial derivative or physical delivery contracts entered into subsequent to September 30, 2014.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Company's use of estimates and judgments in preparing the interim condensed consolidated financial statements is discussed in note 1 of the consolidated financial statements for the year ended December 31, 2013.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

There were no changes in the Company's DC&P or ICFR during the period beginning on July 1, 2014 and ending on September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

BUSINESS RISKS AND UNCERTAINTIES

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

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

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

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

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

NON-GAAP FINANCIAL MEASURES

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

Cash Flow

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2014**	2013	**2014**	2013
Cash flow from operating activities (per GAAP)	**$ 233,047**	$ 128,192	**$ 714,193**	$ 350,387
Change in non-cash operating working capital	**(21,412)**	(7,632)	**(18,429)**	15,642
Cash flow	**$ 211,635**	$ 120,560	**$ 695,764**	$ 366,029

Operating Netback

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($/boe)	**2014**	2013	**2014**	2013
Revenue, excluding processing income	**$ 32.41**	$ 27.58	**$ 35.03**	$ 28.57
Royalties	**(2.97)**	(2.61)	**(3.31)**	(2.27)
Transportation costs	**(1.84)**	(2.01)	**(1.88)**	(2.00)
Operating expenses	**(5.41)**	(4.36)	**(5.20)**	(4.31)
Operating netback[1]	**$ 22.19**	$ 18.59	**$ 24.64**	$ 19.99

[1] *May not add due to rounding.*

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

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

(000s)		**As at September 30, 2014**		As at December 31, 2013
Working capital (deficit)	**$**	**(493,160)**	$	(245,314)
Fair value of financial instruments – short-term (net)		**(2,062)**		2,691
Working capital (deficit) (adjusted for the fair value of financial instruments)	**$**	**(495,222)**	$	(242,623)

Net Debt

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

(000s)		**As at September 30, 2014**		As at December 31, 2013
Bank debt	**$**	**(763,691)**	$	(590,319)
Working capital (deficit)		**(493,160)**		(245,314)
Fair value of financial instruments – short-term (net)		**(2,062)**		2,691
Net debt	**$**	**(1,258,913)**	$	(832,942)

SELECTED QUARTERLY INFORMATION

	2014			2013				2012
($000s, unless otherwise noted)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
PRODUCTION								
Natural gas (mcf)	**51,771,964**	51,225,036	47,339,926	41,062,993	36,486,443	34,477,391	33,055,857	27,879,639
Oil and NGL(bbls)	**1,307,089**	1,468,198	1,340,699	1,076,395	735,727	640,001	667,907	618,483
Oil equivalent (boe)	**9,935,749**	10,005,704	9,230,686	7,920,228	6,816,800	6,386,233	6,177,216	5,265,090
Natural gas (mcf/d)	**562,739**	562,912	525,999	446,337	396,592	378,872	367,287	303,040
Oil and NGL (bbls/d)	**14,207**	16,134	14,897	11,700	7,997	7,033	7,421	6,723
Oil equivalent (boe/d)	**107,997**	109,953	102,563	86,089	74,096	70,178	68,636	57,230
FINANCIAL								
Revenue, net of royalties	**311,586**	313,655	317,336	219,069	167,138	180,505	161,124	134,864
Cash flow from operating activities	**233,047**	231,756	249,390	128,852	128,192	128,432	93,763	104,671
Cash flow [(1)]	**211,635**	231,542	252,587	160,732	120,560	128,870	116,599	93,807
Per diluted share	**1.03**	1.13	1.28	0.83	0.64	0.68	0.64	0.54
Net earnings (loss)	**67,357**	66,437	89,868	56,763	9,163	30,004	52,184	16,301
Per basic share	**0.33**	0.33	0.47	0.30	0.05	0.16	0.29	0.10
Per diluted share	**0.33**	0.32	0.45	0.29	0.05	0.16	0.29	0.09
Total assets	**5,978,645**	5,446,094	5,082,535	4,696,471	4,210,171	3,811,192	3,735,641	3,580,253
Working capital (deficit)	**(493,160)**	(131,672)	(255,240)	(245,314)	(206,250)	(50,851)	(165,385)	(98,913)
Working capital (deficit)(adjusted for the fair value of financial instruments) [(1)]	**(495,222)**	(123,166)	(248,094)	(242,623)	(204,507)	(53,676)	(166,049)	(103,727)
Cash capital expenditures	**647,302**	297,733	466,396	497,941	468,261	158,751	190,463	296,108
Total outstanding shares (000s)	**201,673**	201,431	195,567	189,805	184,621	184,175	183,408	174,813
PER UNIT								
Natural gas ($/mcf)	**4.34**	4.71	5.38	3.84	3.30	3.92	3.50	3.29
Oil and NGL ($/bbl)	**74.61**	74.53	70.49	71.83	91.65	87.06	88.75	83.28
Revenue ($/boe)	**32.41**	35.03	37.84	29.69	27.58	29.88	28.33	27.18
Operating netback ($/boe) [(1)]	**22.19**	24.02	27.94	21.29	18.59	21.28	20.20	19.17

[(1)] See Non-GAAP Financial Measures.

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

Overall, the Company has had continued annual growth over the last two years summarized in the table above. The Company's average annual production has increased from 50,804 boe per day in 2012 to 74,796 boe per day in 2013 and 106,858 boe per day in the first nine months of 2014. The production growth can be attributed primarily to the Company's exploration and development activities, and from acquisitions of producing properties. The slight decrease in production in the third quarter of 2014, from the second quarter of 2014, is due to unscheduled third-party maintenance, equipment issues and downtime at Musreau, the Saturn deep cut facility, as well as downtime on the TCPL mainline pipeline.

The Company's cash flows from operating activities were $273.5 million in 2012 and $479.2 million in 2013. Estimated 2014 cash flows from operating activities (based on the first nine months annualized) are $952.3 million, due mainly to strong growth in production levels and strengthening commodity prices. Commodity price changes can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenues and cash flows available for exploration, and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flows generated from operations and access to capital markets.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(000s) (unaudited)		**September 30, 2014**		December 31, 2013
Assets				
Current assets:				
Accounts receivable	**$**	**141,823**	$	136,041
Prepaid expenses and deposits		**10,406**		6,918
Fair value of financial instruments (note 3)		**2,874**		166
Total current assets		**155,103**		143,125
Fair value of financial instruments (note 3)		**625**		663
Long-term asset		**7,211**		2,373
Exploration and evaluation assets (notes 4 and 5)		**758,993**		700,525
Property, plant and equipment (note 5)		**5,056,713**		3,849,785
Total Assets	**$**	**5,978,645**	$	4,696,471
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**647,451**	$	385,582
Fair value of financial instruments (note 3)		**812**		2,857
Total current liabilities		**648,263**		388,439
Bank debt (note 7)		**763,691**		590,319
Long-term obligation		**621**		3,414
Fair value of financial instruments (note 3)		**5,502**		5,216
Decommissioning obligations (note 6)		**102,398**		76,037
Deferred premium flow-through shares		**5,390**		–
Deferred taxes		**319,528**		265,025
Shareholders' equity:				
Share capital (note 9)		**3,578,131**		3,062,432
Non-controlling interest (note 8)		**19,889**		17,877
Contributed surplus		**115,576**		91,718
Retained earnings		**419,656**		195,994
Total shareholders' equity		**4,133,252**		3,368,021
Total Liabilities and Shareholders' Equity	**$**	**5,978,645**	$	4,696,471

Commitments (note 12)

Subsequent Events (note 13)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s) except per-share amounts (unaudited)	**2014**	2013	**2014**	2013
Revenue:				
Oil and natural gas sales	**$ 320,476**	$ 167,899	**$ 1,063,713**	$ 527,211
Royalties	**(29,549)**	(17,798)	**(96,587)**	(44,015)
Net revenue from oil and natural gas sales	**290,927**	150,101	**967,126**	483,196
Realized gain (loss) on financial instruments	**1,509**	20,075	**(41,923)**	26,539
Unrealized gain (loss) on financial instruments (note 3)	**15,606**	(4,701)	**4,429**	(5,199)
Other income	**3,544**	1,663	**12,945**	4,231
Total net revenue	**311,586**	167,138	**942,577**	508,767
Expenses:				
Operating	**53,758**	29,718	**151,645**	83,494
Transportation	**18,235**	13,702	**54,866**	38,779
General and administration	**6,459**	4,666	**18,208**	14,823
Share-based payments (note 11)	**7,334**	5,441	**20,841**	13,513
(Gain) on divestitures	**(1,808)**	(4,736)	**(2,009)**	(48,146)
Depletion, depreciation and amortization	**123,919**	96,250	**366,556**	259,990
Total expenses	**207,897**	145,041	**610,107**	362,453
Income from operations	**103,689**	22,097	**332,470**	146,314
Finance expenses	**6,387**	3,646	**19,363**	11,172
Income before taxes	**97,302**	18,451	**313,107**	135,142
Deferred taxes	**29,303**	8,835	**87,433**	42,693
Net income and comprehensive income before non-controlling interest	**67,999**	9,616	**225,674**	92,449
Net income and comprehensive income attributable to:				
Shareholders of the Company	**67,357**	9,163	**223,662**	91,351
Non-controlling interest (note 8)	**642**	453	**2,012**	1,098
	$ 67,999	$ 9,616	**$ 225,674**	$ 92,449
Net income per share attributable to common shareholders (note 10)				
Basic	**$ 0.33**	$ 0.05	**$ 1.13**	$ 0.50
Diluted	**$ 0.33**	$ 0.05	**$ 1.10**	$ 0.49

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(000s) (unaudited)

		Share Capital		Contributed Surplus		Retained Earnings		Non-Controlling Interest		Total Equity
Balance at December 31, 2013	$	3,062,432	$	91,718	$	195,994	$	17,877	$	3,368,021
Issue of common shares (note 9)		282,012		–		–		–		282,012
Issue of common shares on corporate acquisition (note 9)		177,359		–		–		–		177,359
Share issue costs, net of tax		(9,524)		–		–		–		(9,524)
Share-based payments		–		20,841		–		–		20,841
Capitalized share-based payments		–		20,841		–		–		20,841
Options exercised (note 9)		65,852		(17,824)		–		–		48,028
Income attributable to common shareholders		–		–		223,662		–		223,662
Income attributable to non-controlling interest		–		–		–		2,012		2,012
Balance at September 30, 2014	**$**	**3,578,131**	**$**	**115,576**	**$**	**419,656**	**$**	**19,889**	**$**	**4,133,252**

(000s) (unaudited)

		Share Capital		Contributed Surplus		Retained Earnings		Non-Controlling Interest		Total Equity
Balance at December 31, 2012	$	2,599,614	$	70,923	$	47,880	$	16,298	$	2,734,715
Issue of common shares		226,564		–		–		–		226,564
Share issue costs, net of tax		(7,275)		–		–		–		(7,275)
Share-based payments		–		13,513		–		–		13,513
Capitalized share-based payments		–		13,513		–		–		13,513
Options exercised		52,890		(14,526)		–		–		38,364
Income attributable to common shareholders		–		–		91,351		–		91,351
Income attributable to non-controlling interest		–		–		–		1,098		1,098
Balance at September 30, 2013	$	2,871,793	$	83,423	$	139,231	$	17,396	$	3,111,843

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(000s) (unaudited)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Cash provided by (used in):				
Operations:				
Net income	**$ 67,357**	$ 9,163	**$ 223,662**	$ 91,351
Items not involving cash:				
Depletion, depreciation and amortization	**123,919**	96,250	**366,556**	259,990
Accretion	**594**	533	**1,755**	1,412
Share-based payments	**7,334**	5,441	**20,841**	13,513
Deferred taxes	**29,303**	8,835	**87,433**	42,693
Unrealized (gain) loss on financial instruments	**(15,606)**	4,701	**(4,429)**	5,199
(Gain) on divestitures	**(1,808)**	(4,736)	**(2,009)**	(48,146)
Non-controlling interest	**642**	453	**2,012**	1,098
Decommissioning expenditures	**(100)**	(80)	**(57)**	(1,081)
Changes in non-cash operating working capital	**21,412**	7,632	**18,429**	(15,642)
Total cash flow from operating activities	**233,047**	128,192	**714,193**	350,387
Financing:				
Issue of common shares	**4,952**	4,853	**345,622**	271,524
Share issue costs	**(87)**	(249)	**(12,732)**	(9,815)
Increase in bank debt	**59,611**	192,999	**143,738**	124,275
Total cash flow from financing activities	**64,476**	197,603	**476,628**	385,984
Investing:				
Exploration and evaluation	**(52,098)**	(51,061)	**(142,590)**	(107,871)
Property, plant and equipment	**(597,629)**	(308,537)	**(1,266,589)**	(642,903)
Property acquisitions	**–**	(108,763)	**(4,777)**	(144,746)
Proceeds from divestitures	**2,425**	100	**2,525**	78,045
Net repayment of long-term obligation	**(996)**	(733)	**(2,595)**	(2,596)
Changes in non-cash investing working capital	**350,775**	143,199	**223,205**	83,700
Total cash flow from investing activities	**(297,523)**	(325,795)	**(1,190,821)**	(736,371)
Changes in cash	**–**	–	**–**	–
Cash, beginning of period	**–**	–	**–**	–
Cash, end of period	**$ –**	$ –	**$ –**	$ –

Cash is defined as cash and cash equivalents.
See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013

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

Corporate Information:

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

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

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These unaudited interim condensed consolidated financial statements do not include all of the information and disclosure required in the annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013.

The accounting policies and significant accounting judgments, estimates, and assumptions used in these unaudited interim condensed consolidated financial statements are consistent with those described in Notes 1 and 2 of the Company's consolidated financial statements for the year ended December 31, 2013, except as detailed below.

On January 1, 2014, the Company adopted IFRIC 21, which addresses payments to government bodies. There was no impact on the Company as a result of adopting the new standard.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 5, 2014.

2. DETERMINATION OF FAIR VALUE

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

Measurement:

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

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

3. FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are consistent with those discussed in note 5 of the Company's audited consolidated financial statements for the year ended December 31, 2013.

As at September 30, 2014, the Company has entered into certain financial derivative contracts in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. As a result, all such commodity contracts are recorded on the interim consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the interim consolidated statement of income and comprehensive income.

The Company has the following financial derivative contracts in place as at September 30, 2014[1]:

		2014	2015	2016	2017	2018	Fair Value (000s)
Gas							
Fixed price	mmbtu/d	31,793	5,000	–	–	–	$ 751
	USD$/mmbtu	$4.16	$4.21				
Nymex call options (writer)	mmbtu/d	–	–	–	20,000	20,000	(4,609)
	USD$/mmbtu				$5.00	$5.00	
Oil							
Financial swaps	bbls/d	900	874	–	–	–	2,577
	USD$/bbl	$94.98	$93.82				
Costless collars	bbls/d	1,100	1,300	–	–	–	158
	USD$/bbl	$80.91 - $97.57	$81.15 - $94.29				
Financial call swaptions[2]	bbls/d	–	600	600	–	–	(664)
	USD$/bbl		$104.98	$93.07			
Total fair value							$ (1,787)

[1] The volumes and prices reported are the weighted average volumes and prices for the period.

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

No financial derivative contracts were entered into subsequent to September 30, 2014.

The Company has the following interest rate swap arrangements:

Term	Type (Floating to Fixed)	Amount (000s)	Company Fixed Interest Rate (%)	Counter Party Floating Rate Index	Fair Value (000s)
May 29, 2014 – May 29, 2015	Swap	$ 150,000	1.72%	Floating Rate	$ (469)
May 29, 2014 – May 29, 2015	Swap	$ 100,000	1.27%	Floating Rate	(16)
May 29, 2015 – May 29, 2016	Swap	$ 250,000	1.645%	Floating Rate	(543)
Total fair value					$ (1,028)

The following table provides a summary of the unrealized gains (losses) on financial instruments for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(000s)	**2014**	2013	**2014**	2013
Unrealized gain (loss) on financial instruments	**$ 15,606**	(4,701)	**$ 4,429**	$ (5,199)

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

The Company has the following physical contracts in place at September 30, 2014[1]:

		2014	**2015**	**2016**	**2017**	**2018**
Gas						
Fixed price - AECO	mcf/d	164,622	103,978	1,176	–	–
	CAD$/mcf	$4.26	$4.32	$4.06		
Basis differentials[2]	mmbtu/d	83,315	51,233	48,338	20,000	20,000
	USD$/mmbtu	$(0.48)	$(0.48)	$(0.48)	$(0.49)	$(0.49)
AECO call options (writers/call swaptions)[3]	mcf/d	24,952	41,552	53,100	66,375	42,669
	CAD$/mcf	$4.28	$4.55	$4.79	$4.76	$4.80

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

(2) Tourmaline also has 20 mmcf/d of Nymex-AECO basis differentials at $0.49 from 2019-2022.

(3) A call swaption is a European swaption whereby the Company provided the option to extend a gas swap into the period subsequent to the call date.

No physical contracts were entered into subsequent to September 30, 2014.

4. EXPLORATION AND EVALUATION ASSETS

(000s)		
As at December 31, 2013	$	700,525
Capital expenditures		142,590
Transfers to property, plant and equipment (note 5)		(90,274)
Acquisitions		22,701
Divestitures		(2,134)
Expired mineral leases		(14,415)
As at September 30, 2014	$	758,993

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

5. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Cost

(000s)		
As at December 31, 2013	$	4,664,800
Capital expenditures		1,287,430
Transfers from exploration and evaluation (note 4)		90,274
Change in decommissioning liabilities (note 6)		16,885
Acquisitions		169,463
Divestitures		(6,152)
As at September 30, 2014	$	6,222,700

Accumulated Depletion, Depreciation and Amortization

(000s)		
As at December 31, 2013	$	815,015
Depletion, depreciation and amortization expense		352,141
Divestitures		(1,169)
As at September 30, 2014	$	1,165,987

Net Book Value

(000s)		
As at December 31, 2013	$	3,849,785
As at September 30, 2014	$	5,056,713

Future development costs of $4,100 million were included in the depletion calculation at September 30, 2014 (December 31, 2013 - $3,197 million).

Capitalization of G&A and Share-Based Payments

A total of $13.7 million in G&A expenditures have been capitalized and included in E&E and PP&E assets at September 30, 2014 (December 31, 2013 – $15.0 million). Also included in E&E and PP&E are non-cash share-based payments of $20.8 million (December 31, 2013 - $19.3 million).

Impairment Assessment

The Company has performed an impairment assessment of its property, plant, and equipment on a CGU basis and has determined that there are no indicators of impairment at September 30, 2014; therefore an impairment test was not performed. Similarly, for the year ended December 31, 2013, the Company did not identify any impairment indicators and as a result did not conduct an impairment test.

Corporate Acquisition

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

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

(000s)		Santonia Energy Inc.
Fair value of net assets acquired:		
Cash	$	2,445
Working capital deficiency		(10,965)
Property, plant and equipment		167,473
Exploration and evaluation		19,058
Bank debt		(32,079)
Decommissioning obligations		(8,487)
Deferred income tax asset		39,914
Total	$	177,359
Consideration:		
Common shares issued	$	177,359

The above noted amounts are estimates based on information available to the Company at the time of preparation of the September 30, 2014 unaudited interim consolidated financial statements. Accordingly, the estimates used to derive the fair values in the purchase price include accruals and deferred tax assets. A future change in estimates could have an impact on the above-noted purchase equation.

Acquisition of Oil and Natural Gas Properties

For the nine months ended September 30, 2014, the Company completed property acquisitions for total cash consideration of $4.8 million (December 31, 2013 - $226.9 million) and an additional $0.5 million in non-cash consideration (December 31, 2013 - $88.6 million). The Company also assumed $0.4 million in decommissioning liabilities (December 31, 2013 - $7.3 million).

6. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flow required to settle its decommissioning obligations is approximately $148.2 million (December 31, 2013 – $118.9 million), with some abandonments expected to commence in 2021. A risk-free rate of 2.67% (December 31, 2013 – 3.24%) and an inflation rate of 2.0% (December 31, 2013 – 2.0%) were used to calculate the fair value of the decommissioning obligations.

(000s)		**As at September 30, 2014**		As at December 31, 2013
Balance, beginning of period	**$**	**76,037**	$	64,757
Obligation incurred		**9,640**		10,193
Obligation incurred on corporate acquisition (note 5)		**8,487**		–
Obligation incurred on property acquisitions		**382**		7,347
Obligation divested		**(1,091)**		(960)
Obligation settled		**(57)**		(2,254)
Accretion expense		**1,755**		2,038
Change in future estimated cash outlays		**7,245**		(5,084)
Balance, end of period	**$**	**102,398**	$	76,037

7. BANK DEBT

The Company has a covenant-based bank credit facility in place with a syndicate of bankers, the details of which are described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2013. In May 2014, the Company increased its facility to $1.3 billion from $900 million, with an initial maturity of June 2017. The revisions to the credit facility included the removal of the "adjusted EBITDA to interest expense" covenant as well as a revision to the definition of senior debt to mean generally the indebtedness, liabilities and obligations of the Company to the lenders under the credit facility. In September 2014, the facility was further increased to $1.6 billion with the same terms and conditions as were set in the May 2014 revision.

As at September 30, 2014, the Company's bank debt balance was $763.7 million (December 31, 2013 - $590.3 million). In addition, the Company has outstanding letters of credit of $2.8 million (December 31, 2013 - $2.2 million), which reduce the credit available on the facility. The average effective interest rate for the nine months ended September 30, 2014 was 2.99% (nine months ended September 30, 2013 – 3.06%). As at September 30, 2014, the Company is in compliance with all debt covenants.

8. NON-CONTROLLING INTEREST

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

(000s)		**As at September 30, 2014**		As at December 31, 2013
Balance, beginning of period	**$**	**17,877**	$	16,298
Share of subsidiary's net income for the period		**2,012**		1,579
Balance, end of period	**$**	**19,889**	$	17,877

9. SHARE CAPITAL

(a) Authorized

Unlimited number of Common Shares without par value.

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

(b) Common Shares Issued

	As at September 30, 2014			As at December 31, 2013		
(000s) except share amounts	**Number of Shares**		**Amount**	Number of Shares		Amount
Balance, beginning of period	**189,804,864**	**$**	**3,062,432**	174,813,059	$	2,599,614
For cash on public offering of common shares(1)(2)(3)	**4,615,198**		**219,222**	9,275,000		343,881
For cash on public offering of flow-through common shares(1)(2)(4)	**1,150,000**		**62,790**	1,760,000		67,218
Issued on corporate acquisition	**3,228,234**		**177,359**	–		–
For cash on exercise of stock options	**2,874,930**		**48,028**	3,956,805		47,023
Contributed surplus on exercise of stock options	–		**17,824**	–		17,819
Share issue costs	–		**(12,732)**	–		(17,633)
Tax effect of share issue costs	–		**3,208**	–		4,510
Balance, end of period	**201,673,226**	**$**	**3,578,131**	189,804,864	$	3,062,432

(1) *On March 12, 2013, the Company issued 5.78 million common shares at a price of $34.25 per share and 0.835 million flow-through common shares at a price of $42.15 per share, for total gross proceeds of $233.2 million. The implied premium on the flow-through common shares was determined to be $6.6 million or $7.90 per share. A total of 30,000 common and 85,000 flow-through common shares were purchased by insiders. As at December 31, 2013, the Company had spent the full committed amount and the expenditures were renounced to investors in February 2014 with an effective renunciation date of December 31, 2013.*

(2) *On October 8, 2013, the Company issued 3.495 million common shares at a price of $41.75 per share and 0.925 million flow-through common shares at a price of $51.60 per share, for total gross proceeds of $193.6 million. The implied premium on flow-through common shares was determined to be $9.1 million or $9.85 per share. A total of 45,000 common shares and 75,000 flow-through common shares were purchased by insiders. As at December 31, 2013, the Company had spent the full committed amount. The expenditures were renounced to investors in February 2014 with an effective renunciation date of December 31, 2013.*

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

(4) *On June 2, 2014, the Company issued 1.15 million flow-through shares at a price of $68.15 per share for total gross proceeds of $78.4 million. The implied premium on flow-through common shares was determined to be $15.6 million or $13.55 per share. A total of 150,000 flow-through common shares were purchased by insiders. As at September 30, 2014, the Company has spent $51.3 million on eligible expenditures and is committed to spend the remainder of $27.1 million on qualified exploration expenditures by December 31, 2015. The expenditures will be renounced to investors with an effective renunciation date of December 31, 2014.*

10. EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Net earnings for the period (000s)	**$ 67,357**	$ 9,163	**$ 223,662**	$ 91,351
Weighted average number of common shares – basic	**201,497,624**	184,480,948	**197,906,925**	181,828,804
Earnings per share – basic	**$ 0.33**	$ 0.05	**$ 1.13**	$ 0.50

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Net earnings for the period (000s)	**$ 67,357**	$ 9,163	**$ 223,662**	$ 91,351
Weighted average number of common shares – diluted	**206,469,220**	189,764,708	**202,811,901**	186,676,207
Earnings per share – fully diluted	**$ 0.33**	$ 0.05	**$ 1.10**	$ 0.49

There were 2,035,000 options excluded from the weighted-average share calculations for both the three and nine month periods ended September 30, 2014 because they were anti-dilutive (three and nine months ended September 30, 2013 – 2,345,000 options).

11. SHARE-BASED PAYMENTS

The Company has a rolling stock option plan. Under the employee stock option plan, the Company may grant options to its employees up to 20,167,323 shares of common stock, which represents 10% of the current outstanding common shares. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is five years. Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

	Nine Months Ended September 30,			
	2014		2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of period	**16,028,651**	**$ 27.95**	15,325,232	$ 19.87
Granted	**2,151,000**	**52.80**	2,445,000	40.19
Exercised	**(2,874,930)**	**16.71**	(3,193,111)	12.01
Forfeited	**(164,889)**	**50.81**	(109,443)	24.59
Stock options outstanding, end of period	**15,139,832**	**$ 33.36**	14,467,678	$ 24.98

The weighted average trading price of the Company's common shares was $52.13 during the nine months ended September 30, 2014 (nine months ended September 30, 2013 - $38.95).

The following table summarizes stock options outstanding and exercisable at September 30, 2014:

Range of Exercise Price	Number Outstanding at Period End	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Period End	Weighted Average Exercise Price
$10.00 - $18.35	2,832,865	0.59	$ 16.90	2,832,865	$ 16.90
$20.68 - $29.93	3,395,304	2.16	26.88	2,448,019	26.99
$30.76 - $39.57	2,780,663	3.02	32.90	1,028,663	31.37
$40.18 - $48.99	4,471,000	3.97	41.40	581,333	40.99
$51.47 - $56.76	1,660,000	4.77	53.85	–	–
	15,139,832	2.85	$ 33.36	6,890,880	$ 24.77

The fair value of options granted during the nine-month period ended September 30, 2014 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	September 30, 2014	September 30, 2013
Fair value of options granted (weighted average)	**$ 18.50**	$ 13.98
Risk-free interest rate	**2.83%**	2.65%
Estimated hold period prior to exercise	**4 years**	4 years
Expected volatility	**40%**	40%
Forfeiture rate	**2%**	2%
Dividend per share	**$ 0.00**	$ 0.00

12. COMMITMENTS

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

Payments Due by Year (000s)	1 Year	2-3 Years	4-5 Years	> 5 Years	Total
Operating leases	$ 4,310	$ 10,004	$ 10,027	$ 2,467	$ 26,808
Flow-through obligations	–	27,109	–	–	27,109
Firm transportation and processing agreements	100,353	435,237	244,396	489,791	1,269,777
Bank debt(1)	–	827,817	–	–	827,817
	$ 104,663	$ 1,300,167	$ 254,423	$ 492,258	$ 2,151,511

(1) Includes interest expense at an annual rate of 2.77% being the rate applicable to outstanding bank debt at September 30, 2014.

13. SUBSEQUENT EVENTS

On October 29, 2014, the Company entered into an agreement to sell a 25% working interest in the Peace River High complex for cash consideration of $500.0 million. The sale is scheduled to close in December 2014, and is subject to final terms and conditions. The Company will continue to be the operator of all the jointly-controlled assets.

On November 3, 2014, the Company entered into a five-year term loan agreement with a Canadian Chartered Bank for $250.0 million, bearing an interest rate of 240 basis points over the applicable bankers' acceptance rate. The covenants for the term loan are similar to those under the Company's current credit facility and the term loan will rank equally with the obligations under the Company's credit facility. Proceeds from the term loan will be used to repay a portion of the current outstanding bank debt.

The Company's aggregate borrowing capacity is now $1.85 billion.