TOURMALINE
OIL CORP.

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

As at March 31, 2013 and for the three months ended March 31, 2013 and 2012

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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 for the three months ended March 31, 2013 and the consolidated financial statements for the year ended December 31, 2012. Both the consolidated financial statements and the MD&A can be found at www.sedar.com. This MD&A is dated May 8, 2013.

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)” and “net debt".

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 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 or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each 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 shareholders 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 March 31,		
	2013	2012	Change
Natural Gas *(mcf/d)*	**367,287**	246,490	49%
Crude oil and NGL *(bbl/d)*	**7,421**	5,664	31%
Oil equivalent *(Boe/d)*	**68,636**	46,746	47%

Production for the three months ended March 31, 2013 averaged 68,636 Boe/d, a 47% increase over the average production for the same quarter of 2012 of 46,746 Boe/d. Production was 89% natural gas weighted in the first quarter of 2013 compared to 88% natural gas weighted in the first quarter of 2012. The Company's significant production growth when compared to 2012 can be attributed to new wells that have been brought on-stream since March 31, 2012, as well as property and corporate acquisitions.

Full-year average production guidance for 2013 remains unchanged at 80,000 Boe/d (as disclosed by press release February 20, 2013).

REVENUE

	Three Months Ended March 31,		
(000s)	**2013**	2012	Change
Revenue from:			
Natural Gas	**$ 115,709**	$ 56,988	103%
Oil and NGL	**59,278**	47,150	26%
Total revenue from gas, oil and NGL sales	**$ 174,987**	$ 104,138	68%

Revenue for the three months ended March 31, 2013 increased 68% to $175.0 million from $104.1 million for the same quarter of 2012. Revenue growth is consistent with the increase in production and increased natural gas prices over the same periods, partially offset by lower oil prices. Revenue includes all petroleum, natural gas and NGL sales and realized gains on financial instruments.

TOURMALINE PRICES:

	Three Months Ended March 31,		
	2013	2012	Change
Natural Gas ($/mcf)	**$ 3.50**	$ 2.54	38%
Oil and NGL ($/bbl)	**$ 88.75**	$ 91.48	(3)%
Oil equivalent ($/Boe)	**$ 28.33**	$ 24.48	16%

The realized average natural gas price for the three months ended March 31, 2013 was $3.50/mcf, which is 38% higher than the same period of the prior year. Realized crude oil and NGL prices decreased 3%, from $91.48/bbl to $88.75/bbl, for the three months ended March 31, 2013 compared to the same period of 2012.

The realized natural gas price for the quarter ended March 31, 2013 was 9% (March 31, 2012 – 20%) higher than the AECO index price. The Company receives a premium to the AECO index on its Alberta Deep Basin natural gas production to reflect a higher heat content, which has remained consistent year-over-year (March 31, 2013 – 8% and March 31, 2012 – 8%). The realized gain on commodity contracts has decreased from the same period in the prior year as the market price of natural gas has increased relative to the prices per the commodity contracts settled in the period. Realized prices exclude the effect of unrealized gains or losses. Once these gains and losses are realized they are included in the per unit amounts.

BENCHMARK GAS AND OIL PRICES:

	Three Months Ended March 31,		
	2013	2012	Change
Natural Gas			
NYMEX Henry Hub (US$/mcf)	**$ 3.48**	$ 2.50	39%
AECO (CAD$/mcf)	**$ 3.20**	$ 2.12	51%
Oil			
NYMEX (US$/bbl)	**$ 94.36**	$ 103.03	(8)%
Edmonton Par (CAD$/bbl)	**$ 88.55**	$ 92.87	(5)%

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

	Three Months Ended March 31,		
($/mcf)	**2013**	2012	Change
AECO index	**$ 3.20**	$ 2.12	51%
Heat/quality differential	**0.27**	0.18	50%
Realized gain	**0.03**	0.24	(88)%
Tourmaline realized natural gas price	**$ 3.50**	$ 2.54	38%

***CURRENCY – EXCHANGE RATES*:**

	Three Months Ended March 31,		
	2013	2012	Change
CAD$/US$	**$ 0.9922**	$ 0.9988	(1)%

ROYALTIES

	Three Months Ended March 31,	
(000s)	**2013**	2012
Natural Gas	**$ 4,535**	$ 971
Oil and NGL	**6,828**	7,500
Total royalties	**$ 11,363**	$ 8,471
Royalties as a percentage of revenue	**6.5%**	8.1%

For the quarter ended March 31, 2013, the average effective royalty rate decreased to 6.5% compared to 8.1% for the same quarter of 2012. 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. During the first quarter of 2013, Tourmaline received payment on claims on the Natural Gas Deep Drilling Program, resulting in a lower effective royalty rate for the period.

The Company expects its royalty rate for 2013 to be approximately 10% as some of the wells will no longer qualify for royalty incentive programs due to production maximums being reached and other wells coming off royalty holidays, thereby increasing the Company's overall royalty rate. The royalty rate is sensitive to commodity prices, however, and as such, a change in commodity prices will impact the actual rate.

OTHER INCOME

For the quarter ended March 31, 2013, other income was $1.3 million, which includes $1.2 million in processing income, compared to $1.5 million for the same quarter of 2012, of which $1.3 million related to processing income. Processing income has been decreasing as a smaller amount of third-party production has been processed in Tourmaline owned-and-operated facilities as the Company grows the amount of its own production, thus reducing capacity for third-party volumes.

OPERATING EXPENSES

	Three Months Ended March 31,		
(000s) except per unit amounts	**2013**	2012	Change
Operating expenses	**$ 26,367**	$ 22,081	19%
Per Boe	**$ 4.27**	$ 5.19	(18)%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the first quarter of 2013, total operating expenses increased 19% from $22.1 million in the first quarter of 2012 to $26.4 million in 2013 due to the increased variable costs relating to new production. On a per Boe basis, the costs decreased 18% from $5.19/Boe for the first quarter of 2012 to $4.27/Boe in the first quarter of 2013 due to increased production, increased operational efficiencies and the impact of redirecting natural gas from third-party facilities to Tourmaline-owned infrastructure. Tourmaline's operating expenses in the first quarter of 2013 include third-party processing, gathering and compression fees of approximately $8.3 million or 31% of total operating costs (March 31, 2012 - $7.7 million or 35% of total operating costs).

During 2013 the Company expects to complete the gas plant at Doe in NEBC and the new natural gas and liquids handling facilities at Spirit River. These projects will allow for additional volumes to flow through Company owned-and-operated plants thereby reducing third-party processing charges on a go-forward basis.

The Company expects its full year 2013 operating costs to average approximately $4.25/Boe, which is consistent with previous guidance. Actual costs per Boe can change, however, depending on a number of factors including the Company's actual production levels.

TRANSPORTATION

	Three Months Ended March 31,				
(000s) except per unit amounts		**2013**		2012	Change
Gas transportation	**$**	**8,285**	$	5,868	41%
Oil and NGL transportation		**4,185**		1,680	149%
Total transportation	**$**	**12,470**	$	7,548	65%
Per Boe	**$**	**2.02**	$	1.78	13%

Transportation costs for the three months ended March 31, 2013 were $12.5 million or $2.02/Boe (three months ended March 31, 2012 - $7.5 million or $1.78/Boe, respectively). The increase in total transportation costs for the three months ended March 31, 2013 can be attributed to increased production as well as to increased oil and NGL transportation costs. Pipeline and infrastructure constraints have resulted in greater use of more expensive truck transportation.

GENERAL & ADMINISTRATIVE EXPENSES ("G&A")

	Three Months Ended March 31,				
(000s) except per unit amounts		**2013**		2012	Change
G&A expenses	**$**	**8,607**	$	6,840	26%
Administrative and capital recovery		**(414)**		(189)	119%
Capitalized G&A		**(3,252)**		(2,801)	16%
Total G&A expenses	**$**	**4,941**	$	3,850	28%
Per Boe	**$**	**0.80**	$	0.91	(12)%

G&A expenses for the first quarter of 2013 were $4.9 million compared to $3.9 million for the same quarter of the prior year. G&A costs per Boe for the first quarter of 2013 decreased 12% down to $0.80/Boe, compared to $0.91/Boe for the same quarter of 2012. The higher total G&A expenses result from the need to manage the larger production, reserve and land base. Notwithstanding this, the Company's G&A expenses per Boe continue to trend downward as Tourmaline's production base continues to grow faster than its accompanying G&A costs.

G&A costs for 2013 are expected to be similar to 2012 on a dollar-per-Boe basis. Actual costs per Boe can change, however, depending on a number of factors including the Company's actual production levels.

SHARE-BASED PAYMENTS

		Three Months Ended March 31,		
(000s) except per unit amounts		**2013**		2012
Share-based payments	**$**	**7,180**	$	7,616
Capitalized share-based payments		**(3,590)**		(3,808)
Total share-based payments	**$**	**3,590**	$	3,808
Per Boe	**$**	**0.58**	$	0.90

Tourmaline uses the fair value method for the determination of non-cash related share-based payments expense. During the first quarter of 2013, 260,000 stock options were granted to employees, officers, directors and key consultants at a weighted-average exercise price of $35.45, and 1,979,883 options were exercised, bringing $24.0 million of cash into treasury. The Company recognized $3.6 million of share-based payment expense in the first quarter of 2013 compared to $3.8 million in the first quarter of 2012. Capitalized share-based payment expense for the first quarter of 2013 was $3.6 million compared to $3.8 million for the same quarter of the prior year. The decrease in share-based payment expense in the first quarter of 2013 compared to 2012 reflects an increase in the percentage of outstanding options that have been fully vested, compared to those that haven't. Compensation expense associated with options is recognised in income as the options vest.

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

		Three Months Ended March 31,		
(000s) except per unit amounts		**2013**		2012
Total depletion, depreciation and amortization	**$**	**81,423**	$	56,007
Less mineral lease expiries		**(7,582)**		–
Depletion, depreciation and amortization	**$**	**73,841**	$	56,007
Per Boe	**$**	**11.95**	$	13.17

DD&A expense, net of mineral lease expiries expense, was $73.8 million for the first quarter of 2013 compared to $56.0 million for the same period of 2012 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) for the first quarter of 2013 was $11.95/Boe compared to $13.17/Boe for the first quarter of 2012. The lower DD&A rate, for the three months ended March 31, 2013 compared to the same period of 2012, reflects strong reserve additions derived from Tourmaline's exploration and production program, coupled with lower finding and development costs in 2012 versus those incurred in 2011.

FINANCE EXPENSES

(000s)	Three Months Ended March 31, 2013	2012	Change
Interest expense	**$ 3,259**	$ 1,469	122%
Accretion expense	**391**	307	27%
Transaction costs on corporate and property acquisitions	**670**	172	290%
Other	**178**	183	(3)%
Total finance expenses	**$ 4,498**	$ 2,131	111%

Finance expenses for the three months ended March 31, 2013 totalled $4.5 million and are comprised of interest expense, accretion of provisions and transaction costs associated with corporate and property acquisitions (March 31, 2012 - $2.1 million). The increased finance expenses are largely due to a higher interest expense resulting from a higher balance drawn on the credit facility in the first quarter of 2013 compared to the same period in 2012. The effective interest rate of 3.29% for the first quarter of 2013 is relatively unchanged from the same period in 2012 of 3.26%.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS

(000s) except per unit amounts	Three Months Ended March 31, 2013	2012	Change
Cash flow from operating activities	**$ 93,763**	$ 59,527	58%
Per share (1)	**$ 0.52**	$ 0.36	44%
Cash flow (2)	**$ 116,599**	$ 61,836	89%
Per share (1) (2)	**$ 0.64**	$ 0.38	68%
Net earnings	**$ 52,184**	$ 2,976	1,653%
Per share (1)	**$ 0.29**	$ 0.02	1,350%
Operating netback per Boe (2)	**$ 20.20**	$ 15.52	30%

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

Cash flow for the three months ended March 31, 2013 was $116.6 million or $0.64 per diluted share compared to $61.8 million or $0.38 per diluted share for the same period of 2012. The increase in cash flow in 2013 reflects higher natural gas prices over 2012, as well as increased production.

The Company had after-tax earnings for the three months ended March 31, 2013 of $52.2 million ($0.29 per diluted share) compared to earnings of $3.0 million ($0.02 per diluted share) for the same period of 2012. The increased after-tax earnings in 2013, compared to 2012, reflects higher natural gas prices as well as the sale of a non-core asset at Elmworth, Alberta and the associated gain realized on the transaction.

CAPITAL EXPENDITURES

(000s)		Three Months Ended March 31, 2013		2012
Land and seismic	**$**	**8,505**	$	10,838
Drilling and completions		**181,028**		148,295
Facilities		**73,135**		66,007
Property acquisitions		**2,450**		916
Property dispositions		**(77,945)**		(12,518)
Other		**3,290**		2,886
Total cash capital expenditures	**$**	**190,463**	$	216,424

During the first quarter of 2013, the Company invested $190.5 million of cash consideration, net of dispositions, compared to $216.4 million for the same period of 2012. Expenditures on exploration and production were $262.7 million compared to $225.1 million for the same quarter of 2012, which is consistent with the Company's aggressive growth strategy. The decrease in overall net cash capital spending in 2013 over 2012 is due to two dispositions totalling $77.9 million, the majority of which pertains to the disposition of a non-producing property for gross proceeds of $77.5 million. The Company is continuing work on its gas facilities at Doe in NEBC and Spirit River, Alberta, both of which are scheduled to come on-stream in the second quarter of 2013.

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

	Three Months Ended March 31, 2013 Gross	Net
Drilled	**27**	**25.21**
Completed	**32**	**29.49**
Tied-in	**14**	**13.52**

LIQUIDITY AND CAPITAL RESOURCES

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 proceeds were used to temporarily reduce bank debt and will be used to fund the Company's 2013 capital exploration program.

At March 31, 2013, Tourmaline had negative working capital of $166.0 million, after adjusting for the fair value of financial instruments (the unadjusted working capital deficiency was $165.4 million) (December 31, 2012 – $103.7 million and $98.9 million, respectively). Management believes the Company has sufficient liquidity and capital resources to fund the remainder of its 2013 exploration and development program through expected cash flow from operations and its unutilized bank credit facility. As at March 31, 2013, the Company's bank debt balance was $158.2 million (December 31, 2012 - $360.6 million), and net debt was $324.3 million (December 31, 2012 - $464.3 million).

SHARES OUTSTANDING

As at May 8, 2013, the Company has 183,890,321 common shares outstanding and 13,569,637 stock options granted and outstanding.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

Payments Due by Year (000s)	<1 Year	1-3 Years	4-5 Years	> 5 Years	Total
Operating leases	$ 1,628	$ 10,844	$ 9,806	$ 6,168	$ 28,446
Flow-through obligations	29,657	35,195	–	–	64,852
Firm transportation and processing agreements	27,907	115,151	68,515	221,392	432,965
Bank debt[1]	–	171,522	–	–	171,522
	$ 59,192	$ 332,712	$ 78,321	$ 227,560	$ 697,785

[1] *Includes interest expense at an annual rate of 3.29% being the rate applicable to outstanding bank debt at March 31, 2013.*

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, 2012.

As at March 31, 2013, the Company has entered into certain financial derivative and physical delivery sales contracts in order to manage commodity risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. 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 entered into in the first three months of 2013 are detailed in note 3 of the Company's interim condensed consolidated financial statements for the three months ended March 31, 2013.

The following table provides a summary of the unrealized gains and losses on financial instruments for the three months ended March 31, 2013:

	Three Months Ended March 31,	
(000s)	**2013**	2012
Unrealized loss on financial instruments	**$ (3,819)**	$ (2,366)
Unrealized loss on investments held for trading	**-**	(19)
Total	**$ (3,819)**	$ (2,385)

The Company has entered into physical contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements. Physical contracts entered into since December 31, 2012 to March 31, 2013 have been disclosed in note 3 of the Company's interim condensed consolidated financial statements for the three months ended March 31, 2013.

The Company has entered into several financial derivative and physical delivery sales contracts subsequent to March 31, 2013. These contracts are detailed in note 3 of the Company's interim condensed consolidated financial statements for the quarter ended March 31, 2013.

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, 2012.

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. All control systems by their nature have inherent limitations and, therefore, the Company's DC&P are believed to provide reasonable, but not absolute, assurance that the objectives of the control systems are met.

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 ICFR during the period beginning on January 1, 2013 and ending on March 31, 2013 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.

ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the interim condensed consolidated financial statements or on the comparative periods.

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

Environmental legislation, including the Kyoto Accord, the federal government’s “EcoACTION” plan and Alberta’s Bill 3 - *Climate Change and Emissions Management Amendment Act*, is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Given the evolving nature of the debate related to climate change and the resulting requirements, it is not possible to determine the operational or financial impact of those requirements on Tourmaline.

NON-GAAP FINANCIAL MEASURES

This MD&A includes references to financial measures commonly used in the oil and gas industry such as “cash flow”, “operating netback”, “working capital (adjusted for the fair value of financial instruments)” and “net debt”, which do not have any standardized meaning prescribed by GAAP. Management believes that in addition to net income and cash flow from operating activities, the aforementioned non-GAAP financial measures are useful supplemental measures in assessing Tourmaline's ability to generate the cash necessary to repay debt or fund future growth through capital investment. Readers are cautioned, however, that these measures should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP as an indication of Tourmaline's performance. Tourmaline's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. For these purposes, Tourmaline defines cash flow as cash flow from operating activities before changes in non-cash operating working capital, defines operating netback as revenue (excluding processing income) less royalties, transportation costs and operating expenses and defines working capital (adjusted for the fair value of financial instruments) as working capital adjusted for the fair value of financial instruments. Net debt is defined as long-term bank debt plus working capital (adjusted for the fair value of financial instruments).

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 March 31,	
(000s)	**2013**	2012
Cash flow from operating activities (per GAAP)	**$ 93,763**	$ 59,527
Change in non-cash operating working capital	**22,836**	2,309
Cash flow	**$ 116,599**	$ 61,836

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 March 31,	
($/Boe)	**2013**	2012
Revenue, excluding processing income	**$ 28.33**	$ 24.48
Royalties	**(1.84)**	(1.99)
Transportation costs	**(2.02)**	(1.78)
Operating expenses	**(4.27)**	(5.19)
Operating netback	**$ 20.20**	$ 15.52

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 March 31, 2013**		As at December 31, 2012
Working capital (deficit)	**$**	**(165,385)**	$	(98,913)
Fair value of financial instruments – short-term asset		**(664)**		(4,814)
Working capital (deficit) (adjusted for the fair value of financial instruments)	**$**	**(166,049)**	$	(103,727)

Net Debt

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

(000s)		**As at March 31, 2013**		As at December 31, 2012
Bank debt	**$**	**(158,211)**	$	(360,573)
Working capital (deficit)		**(165,385)**		(98,913)
Fair value of financial instruments – short-term asset		**(664)**		(4,814)
Net debt	**$**	**(324,260)**	$	(464,300)

SELECTED QUARTERLY INFORMATION

	2013	2012				2011		
($000s, unless otherwise noted)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
PRODUCTION								
Gas (mcf)	**33,055,857**	27,879,639	23,501,484	24,276,149	22,430,621	18,437,079	17,058,132	13,798,653
Crude oil and NGL(bbls)	**667,907**	618,483	515,157	596,992	515,408	415,074	316,890	272,184
Oil equivalent (Boe)	**6,177,216**	5,265,090	4,432,071	4,643,016	4,253,845	3,487,920	3,159,912	2,571,959
Gas (mcf/d)	**367,287**	303,040	255,451	266,771	246,490	200,403	185,414	151,634
Crude oil and NGL (bbls/d)	**7,421**	6,723	5,600	6,560	5,664	4,512	3,444	2,991
Oil equivalent (Boe/d)	**68,636**	57,230	48,175	51,022	46,746	37,912	34,347	28,263
FINANCIAL								
Revenue, net of royalties	**161,124**	134,864	91,863	105,567	94,781	98,309	98,225	87,551
Cash flow from operating activities	**93,763**	104,671	66,713	42,566	59,527	61,801	77,622	42,112
Cash flow (1)	**116,599**	93,807	63,515	61,121	61,836	73,311	62,686	60,415
Per diluted share	**0.64**	0.54	0.38	0.37	0.38	0.45	0.40	0.41
Net earnings (loss)	**52,184**	16,301	(4,770)	1,012	2,976	16,074	8,688	15,192
Per basic share	**0.29**	0.10	(0.03)	0.01	0.02	0.10	0.06	0.11
Per diluted share	**0.29**	0.09	(0.03)	0.01	0.02	0.10	0.06	0.10
Total assets	**3,735,641**	3,580,253	2,992,552	2,862,502	2,878,261	2,711,024	2,517,607	2,030,285
Working capital	**(165,385)**	(98,913)	(98,184)	(15,311)	(176,029)	(146,317)	(120,080)	(31,963)
Working capital (adjusted for the fair value of financial instruments) (1)	**(166,049)**	(103,727)	(101,577)	(19,809)	(175,696)	(146,593)	(123,858)	(31,592)
Capital expenditures	**190,463**	296,108	175,277	53,831	216,424	232,167	249,162	130,075
Total outstanding shares (000s)	**183,408**	174,813	165,678	160,459	158,807	158,578	151,906	145,215
PER UNIT								
Gas ($/mcf)	**3.50**	3.29	2.52	2.23	2.54	3.76	4.25	4.38
Crude oil and NGL ($/bbl)	**88.75**	83.28	83.34	77.75	91.48	93.05	87.01	95.54
Revenue ($/Boe)	**28.33**	27.18	23.04	21.64	24.48	30.95	31.67	33.61
Operating netback ($/Boe) (1)	**20.20**	19.17	15.68	14.22	15.52	21.39	21.21	24.52

(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 small decrease in production from the second quarter to the third quarter of 2012 was due to weather-related tie-in delays, as well as production disruptions related to sour gas handling issues at Spirit River and a one-time equipment issue at Sunrise. The Company's average annual production has increased from 31,007 Boe per day in 2011 to 50,804 Boe per day in 2012 and 68,636 Boe per day in the first three months of 2013. The production growth can be attributed primarily to the Company's exploration and development activities, as well as from acquisitions of producing properties.

The Company's cash flows from operating activities were $228.4 million in 2011, $273.5 million in 2012 and 2013 estimated cash flows (based on the first three months annualized) are $472.9 million. 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. Decreases in commodity prices not only reduce revenues and cash flows available for exploration, they may also challenge the economics of potential capital projects by reducing 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)		**March 31, 2013**		December 31, 2012
Assets				
Current assets:				
Accounts receivable	**$**	**84,026**	$	83,868
Assets held for sale		**-**		33,007
Prepaid expenses and deposits		**4,539**		5,309
Fair value of financial instruments (notes 2 and 3)		**664**		4,814
Total current assets		**89,229**		126,998
Long-term asset		**2,580**		2,580
Exploration and evaluation assets (note 4)		**652,647**		639,933
Property, plant and equipment (note 5)		**2,991,185**		2,810,742
Total Assets	**$**	**3,735,641**	$	3,580,253
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**254,614**	$	225,911
Total current liabilities		**254,614**		225,911
Bank debt (note 7)		**158,211**		360,573
Decommissioning obligations (note 6)		**68,307**		64,757
Long-term obligation		**6,207**		7,139
Fair value of financial instruments (notes 2 and 3)		**1,681**		2,012
Deferred premium on flow-through shares		**12,665**		8,755
Deferred taxes		**196,279**		176,391
Shareholders' equity:				
Share capital (note 9)		**2,852,056**		2,599,614
Non-controlling interest (note 8)		**16,543**		16,298
Contributed surplus		**69,014**		70,923
Retained earnings		**100,064**		47,880
Total shareholders' equity		**3,037,677**		2,734,715
Total Liabilities and Shareholders' Equity	**$**	**3,735,641**	$	3,580,253

Commitments (note 12)
Subsequent events (note 3)
See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended March 31,	
(000s) except per-share amounts (unaudited)	**2013**	2012
Revenue:		
Oil and natural gas sales	**$ 172,491**	$ 98,773
Royalties	**(11,363)**	(8,471)
Net revenue from oil and natural gas sales	**161,128**	90,302
Realized gain on financial instruments	**2,496**	5,365
Unrealized (loss) on financial instruments (note 3)	**(3,819)**	(2,385)
Other income	**1,319**	1,499
Total net revenue	**161,124**	94,781
Expenses:		
Operating	**26,367**	22,081
Transportation	**12,470**	7,548
General and administration	**4,941**	3,850
Share-based payments	**3,590**	3,808
Gain on divestitures	**(44,187)**	(7,206)
Depletion, depreciation and amortization	**81,423**	56,007
Total expenses	**84,604**	86,088
Income from operations	**76,520**	8,693
Finance expenses	**4,498**	2,131
Income before taxes	**72,022**	6,562
Deferred taxes	**19,593**	3,174
Net income and comprehensive income for the period before non-controlling interest	**52,429**	3,388
Net income and comprehensive income attributable to:		
Shareholders of the Company	**52,184**	2,976
Non-controlling interest (note 8)	**245**	412
	$ 52,429	$ 3,388
Net income per share attributable to common shareholders (note 10)		
Basic	**$ 0.29**	$ 0.02
Diluted	**$ 0.29**	$ 0.02

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, 2012	$ 2,599,614	$ 70,923	$ 47,880	$ 16,298	$ 2,734,715
Issue of common shares (note 9)	226,564	–	–	–	226,564
Share issue costs, net of tax	(7,175)	–	–	–	(7,175)
Share-based payments	–	3,590	–	–	3,590
Capitalized share-based payments	–	3,590	–	–	3,590
Options exercised (note 9)	33,053	(9,089)	–	–	23,964
Income attributable to common shareholders	–	–	52,184	–	52,184
Income attributable to non-controlling interest	–	–	–	245	245
Balance at March 31, 2013	**$ 2,852,056**	**$ 69,014**	**$ 100,064**	**$ 16,543**	**$ 3,037,677**

(000s) (unaudited)

	Share Capital	Contributed Surplus	Retained Earnings	Non-Controlling Interest	Total Equity
Balance at December 31, 2011	$ 2,140,660	$ 47,776	$ 32,361	$ 15,079	$ 2,235,876
Share issue costs, net of tax	(334)	–	–	–	(334)
Share-based payments	–	3,808	–	–	3,808
Capitalized share-based payments	–	3,808	–	–	3,808
Options exercised	2,690	(750)	–	–	1,940
Income attributable to common shareholders	–	–	2,976	–	2,976
Income attributable to non-controlling interest	–	–	–	412	412
Balance at March 31, 2012	$ 2,143,016	$ 54,642	$ 35,337	$ 15,491	$ 2,248,486

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended March 31,	
(000s) (unaudited)	**2013**	2012
Cash provided by (used in):		
Operations:		
Net income	**$ 52,184**	$ 2,976
Items not involving cash:		
Depletion and depreciation	**81,423**	56,007
Accretion	**391**	307
Share-based payments	**3,590**	3,808
Deferred taxes	**19,593**	3,174
Unrealized loss on financial instruments (note 3)	**3,819**	2,385
Gain on divestitures	**(44,187)**	(7,206)
Non-controlling interest	**245**	412
Decommissioning expenditures	**(459)**	(27)
Changes in non-cash operating working capital	**(22,836)**	(2,309)
Total cash flow from operating activities	**93,763**	59,527
Financing:		
Issue of common shares	**257,124**	1,940
Share issue costs	**(9,566)**	(445)
Increase (decrease) in bank debt	**(202,362)**	124,921
Total cash flow from financing activities	**45,196**	126,416
Investing:		
Exploration and evaluation	**(26,861)**	(25,618)
Property, plant and equipment	**(239,097)**	(202,408)
Property acquisitions	**(2,450)**	(916)
Proceeds from divestitures	**77,945**	12,518
Repayment of long-term obligation	**(932)**	(931)
Changes in non-cash investing working capital	**52,436**	31,412
Total cash flow from investing activities	**(138,959)**	(185,943)
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 CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2013 and for the three months ended March 31, 2013 and 2012

(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 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, 2012.

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, 2012, except as detailed below.

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the interim condensed consolidated financial statements or on the comparative periods.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 8, 2013.

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 method. 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, 2012.

As at March 31, 2013, the Company has entered into certain financial derivative and physical delivery sales contracts in order to manage commodity risk. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. As a result, all such commodity contracts are recorded on the interim condensed 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 condensed consolidated statement of income and comprehensive income.

The Company has entered into the following financial derivative contracts since December 31, 2012 to March 31, 2013:

Type of Contract	Quantity	Time Period[(1)]	Contract Price	Fair Value
Financial Swap	200 bbls/d	April 2013 – March 2014[(2)]	USD$97.865/bbl average	(59)
Financial Swap	200 bbls/d	July 2013 – June 2014[(3)]	USD$98.00/bbl average	160
Financial Swap	5,000 MMbtu/d	April 2013 – March 2014	USD$4.12/MMbtu	(122)

[(1)] *Transactions with common terms have been aggregated and presented as the weighted average price.*

[(2)] *The counter-party to these contracts holds options at March 31, 2014 to extend a swap on 100 bbls/d (per contract) of oil at WTI US$100/bbl.*

[(3)] *The counter-party to these contracts holds options at December 31, 2014 to extend a swap on 200 bbls/d of oil at WTI US$114.95/bbl.*

No financial derivative contracts were entered into subsequent to March 31, 2013.

As at March 31, 2013, if the future strip prices for oil were $1.00 per bbl higher and prices for natural gas were $0.10 per mcf higher, with all other variables held constant, before-tax earnings would have been $1.7 million (March 31, 2012 - $0.7 million) lower. An equal and opposite impact would have occurred to before-tax earnings and the fair value of the derivative contracts liability if oil prices were $1.00 per bbl lower and gas prices were $0.10 per mcf lower. In addition to the financial commodity contracts discussed above, the Company has entered into physical contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the consolidated financial statements.

On May 29, 2012, the Company entered into an interest rate swap. The following table outlines the realized and unrealized losses on the interest rate contract recorded on the consolidated statement of income and comprehensive income for the three months ended March 31, 2013:

(000s)

					Three Months Ended March 31, 2013	
Term	Type (Floating to Fixed)	Amount	Company Fixed Interest Rate (%)	Counter Party Floating Rate Index	Realized (Loss)	Unrealized (Loss)
May 29, 2012-May 29, 2014	Swap	$150,000	1.35%	Floating Rate	(46)	(110)

The following table provides a summary of the unrealized losses on financial instruments for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
(000s)	**2013**	2012
Unrealized loss on financial instruments	**$ (3,819)**	$ (2,366)
Unrealized loss on investments held for trading	**-**	(19)
Total	**$ (3,819)**	$ (2,385)

The Company has entered into the following physical contracts since December 31, 2012 to March 31, 2013:

Type of Contract	Quantity	Time Period[1]	Contract Price
AECO Fixed price	20,000 Gjs/d	April 2013 – March 2014[2]	CAD$3.31/Gj average
AECO Fixed price	25,000 Gjs/d	April – October 2013[3]	CAD$3.72/Gj average
AECO Fixed price	10,000 Gjs/d	April – October 2013	CAD$3.36/Gj
AECO Fixed price	10,000 Gjs/d	November 2013 – March 2014	CAD$3.6725/Gj
(Buyer) AECO/Nymex Differential Swap	30,000 MMbtu/d	April – October 2013	Nymex less USD$0.42/MMbtu average

(1) *Transactions with common terms have been presented as the weighted average price.*

(2) *The counter-party to these contracts holds options at March 31, 2014 to extend a swap on these contracts (one for 10,000 Gjs/d and two for 5,000 Gjs/d each) at an average of CAD$3.75/Gj.*

(3) *The counter-party to these contracts hold options at October 31, 2013 to extend a swap on these contracts (two for 10,000 Gjs/d and one for 5,000 Gjs/d) at an average of $4.00/Gj. Subsequently, the counter-party to these contracts holds another option at October 31, 2014 to extend a further swap on these contracts (two for 10,000 Gjs/d and one for 5,000 Gjs/d) at an average of $4.00/Gj.*

The following physical contracts were entered into subsequent to March 31, 2013:

Type of Contract	Quantity	Time Period[1]	Contract Price
AECO Fixed Price	20,000 Gjs/d	January – December 2014[2]	CAD$3.7513/Gj average
AECO Fixed Price	15,000 Gjs/d	November 2013 – March 2014	CAD$3.95/Gj average
AECO Fixed Price	10,000 Gjs/d	January – December 2014	CAD$3.728/Gj average

(1) *Transactions with common terms have been presented as the weighted average price.*

(2) *The counter-party to these contracts holds the option at December 31, 2013 to fix the average price at CAD$3.7513 on 10,000 Gjs/d of this contract or allow the price to follow the month-ahead index.*

Financial assets and liabilities are only offset if Tourmaline has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Tourmaline offsets derivative contracts assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table provides a summary of the Company's offsetting derivative contracts positions.

	March 31, 2013			December 31, 2012		
	Derivative Contracts			Derivative Contracts		
(000s)	**Asset**	**Liability**	**Net**	Asset	Liability	Net
Gross amount	**$ 3,605**	**$ (4,622)**	**$ (1,017)**	$ 7,623	$ (4,821)	$ 2,802
Amount offset	**(2,941)**	**2,941**	**–**	(2,809)	2,809	–
Net amount	**$ 664**	**$ (1,681)**	**$ (1,017)**	$ 4,814	$ (2,012)	$ 2,802

4. EXPLORATION AND EVALUATION ASSETS

(000s)		
As at December 31, 2012	$	639,933
Capital expenditures		27,955
Transfers to property, plant and equipment (note 5)		(8,562)
Acquisitions		1,536
Divestitures		(633)
Expired mineral leases		(7,582)
As at March 31, 2013	$	652,647

General and administrative expenditures for the three months ended March 31, 2013 of $1.3 million (December 31, 2012 - $5.2 million) have been capitalized and included as exploration and evaluation assets. Non-cash share-based payment expenses in the amount of $1.1 million (December 31, 2012 - $5.8 million) were also capitalized and included in exploration and evaluation assets. Expired mineral lease expenses have been included in the “Depletion, depreciation and amortization” line item on the consolidated statements of income and comprehensive income.

5. PROPERTY, PLANT AND EQUIPMENT

Cost

(000s)		
As at December 31, 2012	$	3,305,685
Capital expenditures		241,593
Transfers from exploration and evaluation (note 4)		8,562
Change in decommissioning liabilities (note 6)		3,493
Acquisitions		3,305
Divestitures		(3,641)
As at March 31, 2013	$	3,558,997

Accumulated Depletion, Depreciation and Amortization

(000s)		
As at December 31, 2012	$	494,943
Depletion, depreciation and amortization expense (net of mineral lease expiries)		73,841
Divestitures		(972)
As at March 31, 2013	$	567,812

Net Book Value

(000s)		
As at December 31, 2012	$	2,810,742
As at March 31, 2013	$	2,991,185

General and administrative expenditures for the three months ended March 31, 2013 of $1.9 million (December 31, 2012 – $6.1 million) have been capitalized and included as costs of oil and natural gas properties. Also included in oil and natural gas properties is non-cash share-based payment expense of $2.5 million (December 31, 2012 - $9.1 million).

Future development costs for the three months ended March 31, 2013 of $2,324 million (December 31, 2012 - $2,233 million) were included in the depletion calculation.

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 $95.2 million (December 31, 2012 – $92.7 million), with some abandonments expected to commence in 2021. A risk-free rate of 2.49% (December 31, 2012 – 2.49%) and an inflation rate of 2.0% (December 31, 2012 – 2.0%) were used to calculate the fair value of the decommissioning obligations.

(000s)	**Three Months Ended March 31, 2013**	Year Ended December 31, 2012
Balance, beginning of period	**$ 64,757**	$ 50,463
Obligation incurred	**2,065**	5,685
Obligation incurred on corporate acquisitions	**-**	4,643
Obligation incurred on property acquisitions	**131**	4,235
Obligation divested	**(6)**	(319)
Obligation settled	**(459)**	(993)
Reclassification of obligation associated with assets held for sale	–	(285)
Accretion expense	**391**	1,328
Change in future estimated cash outlays	**1,428**	–
Balance, end of period	$ **68,307**	**$** 64,757

7. BANK DEBT

As at March 31, 2013, Tourmaline's bank debt balance was $158.2 million (December 31, 2012 - $360.6 million). In addition, Tourmaline has outstanding letters of credit of $4.1 million (December 31, 2012 - $4.4 million), which reduce the credit available on the facility. As at March 31, 2013, the Company is in compliance with all debt covenants.

8. NON-CONTROLLING INTEREST

Tourmaline 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)	Three Months Ended March 31, 2013	Year Ended December 31, 2012
Balance, beginning of period	**$ 16,298**	$ 15,079
Share of subsidiary's net income for the period	**245**	1,219
Balance, end of period	**$ 16,543**	$ 16,298

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

	Three Months Ended March 31, 2013		Year Ended December 31, 2012	
(000s except per share amounts)	**Number of Shares**	**Amount**	Number of Shares	Amount
Balance, beginning of period	**174,813,059**	**$ 2,599,614**	158,577,586	$ 2,140,660
For cash on public offering of common shares[(2)(4)]	**5,780,000**	**197,965**	4,639,000	134,531
For cash on public offering of flow-through common shares[(1) (3)(4)]	**835,000**	**28,599**	2,452,000	62,685
Issued on corporate acquisitions	–	–	7,401,682	244,404
For cash on exercise of stock options	**1,979,883**	**23,964**	1,742,791	17,712
Contributed surplus on exercise of stock options	–	**9,089**	–	6,745
Share issue costs	–	**(9,566)**	–	(9,497)
Tax effect of share issue costs	–	**2,391**	–	2,374
Balance, end of period	**183,407,942**	**$ 2,852,056**	174,813,059	$ 2,599,614

(1) On April 4, 2012, the Company issued 1.4 million flow-through common shares at $28.80 per share for total gross proceeds of $40.4 million. The implied premium on the flow-through common shares was determined to be $8.5 million or $6.07 per share. A total of 0.15 million shares were purchased by insiders. As at March 31, 2013, the Company had spent the full committed amount. The expenditures were renounced to investors in February 2013 with an effective renunciation date of December 31, 2012.

(2) On August 30, 2012, the Company issued 4.039 million common shares at a price of $29.00 per share for total gross proceeds of $117.1 million. A total of 39,000 shares were purchased by insiders. Subsequently, on September 19, 2012, the Underwriters exercised their over-allotment Option and purchased a further 0.6 million shares at a price of $29.00 per share for total gross proceeds of $17.4 million.

(3) On November 1, 2012, the Company issued 1.05 million flow-through common shares at $36.90 per share for total gross proceeds of $38.7 million. The implied premium on the flow-through common shares was determined to be $7.9 million or $7.55 per share. A total of 0.05 million shares were purchased by insiders. As at March 31, 2013 the Company had spent $9.1 million on eligible expenditures and is committed to spend the remainder of $29.6 million on qualified exploration and development expenditures by December 31, 2013. The expenditures were renounced to investors in February 2013, with an effective renunciation date of December 31, 2012.

(4) 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 March 31, 2013, the Company had not incurred any eligible expenditures and is committed to spend the entire $35.2 million on qualified exploration and development expenditures by December 31, 2014. The expenditures will be renounced to investors with an effective renunciation date of December 31, 2013.

10. EARNINGS PER SHARE

Basic earnings-per-share was calculated as follows:

	Three Months Ended March 31,	
	2013	2012
Net earnings for the period (000s)	**$ 52,184**	$ 2,976
Weighted average number of common shares - basic	**176,986,036**	158,616,377
Earnings per share – basic	**$ 0.29**	$ 0.02

Diluted earnings-per-share was calculated as follows:

	Three Months Ended March 31,	
	2013	2012
Net earnings for the period (000s)	**$ 52,184**	$ 2,976
Weighted average number of common shares – diluted	**181,774,427**	163,296,191
Earnings per share – fully diluted	**$ 0.29**	$ 0.02

There were 2,322,333 options excluded from the weighted-average share calculation for the three months ended March 31, 2013 because they were anti-dilutive (March 31, 2012 – 3,818,024).

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 18,340,794 shares of common stock. 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.

	Three Months Ended March 31,			
	2013		2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of period	**15,325,232**	**$ 19.87**	14,213,523	$ 16.82
Granted	**260,000**	**35.45**	50,000	24.73
Exercised	**(1,979,883)**	**12.10**	(229,167)	8.47
Forfeited	**(28,333)**	**25.27**	–	–
Stock options outstanding, end of period	**13,577,016**	**$ 21.27**	14,034,356	$ 16.98

The following table summarizes stock options outstanding and exercisable at March 31, 2013:

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
$7.00 - $10.00	2,456,351	0.94	$ 8.72	2,456,351	$ 8.72
$12.00 - $18.35	4,363,791	2.02	16.51	3,530,902	16.10
$20.68 - $29.93	4,031,208	3.63	26.79	1,067,193	27.33
$30.76 - $38.07	2,725,666	4.40	32.03	143,999	30.91
	13,577,016	2.78	$ 21.27	7,198,445	$ 15.54

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

	March 31, 2013	March 31, 2012
Fair value of options granted (weighted average)	**$ 12.29**	$ 8.58
Risk-free interest rate	**2.55%**	2.59%
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

On March 12, 2013, the Company issued 0.835 million common shares on a flow-through basis at a price of $42.15 per share for gross proceeds of $35.2 million. As of March 31, 2013, the Company had not incurred any eligible expenditures and is committed to spend the entire $35.2 million before December 31, 2014.

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

Payments Due by Year (000s)	<1 Year	1-3 Years	4-5 Years	> 5 Years	Total
Operating leases	$ 1,628	$ 10,844	$ 9,806	$ 6,168	$ 28,446
Flow-through obligations	29,657	35,195	–	–	64,852
Firm transportation and processing agreements	27,907	115,151	68,515	221,392	432,965
Bank debt(1)	–	171,522	–	–	171,522
	$ 59,192	$ 332,712	$ 78,321	$ 227,560	$ 697,785

(1) *Includes interest expense at an annual rate of 3.29% being the rate applicable to outstanding bank debt at March 31, 2013.*