



NEWS RELEASE

MAY 8, 2018

## TOURMALINE DELIVERS EARNINGS OF \$129.6 MILLION IN Q1 2018 AND ANNOUNCES Q2 2018 DIVIDEND INCREASE

**Calgary, Alberta** - Tourmaline Oil Corp. (TSX:TOU) ("Tourmaline" or the "Company") is pleased to release strong financial and operating results for the first quarter of 2018.

### HIGHLIGHTS

- Q1 2018 cash flow<sup>(1)</sup> of \$352.2 million (\$1.30/diluted share) on EP capital spending of \$280.2 million.
- As previously announced, the Company disposed of non-core assets for proceeds of \$71.2 million.
- Free cash flow<sup>(2)</sup> of \$136.1 million in the quarter.
- Q1 2018 exit net debt<sup>(3)</sup> down 7% from previous quarter as a result of the \$114.4 million in free cash flow after paying the dividend.
- Q2 2018 dividend to be increased by 12.5% to \$0.09/common share.
- Company remains on track to achieve full-year production guidance of 270,000-280,000 boepd.
- 2018 exit production target of 285,000-290,000 boepd.
- 2019 total forecast production, liquids production and cash flow expectations increased from previously released five-year plan.

### FINANCIAL RESULTS, CAPITAL PROGRAM

- First quarter 2018 cash flow was \$352.2 million (\$1.30/diluted share), a 20% increase over Q1 2017 cash flow.
- First quarter net capital expenditures<sup>(4)</sup> of \$216.1 million, yielding free cash flow of \$136.1 million for the quarter of which \$21.7 million funded the inaugural \$0.08/common share quarterly dividend and the \$114.4 million balance used to reduce outstanding debt.

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(1) "Cash flow" is defined as cash provided by operations before changes in non-cash operating working capital. See "Non-GAAP Financial Measures" in the Company's Q1 2018 Management's Discussion and Analysis.

(2) "Free cash flow" is defined as cash flow less total net capital expenditures. Free cash flow is prior to dividend payments. See "Non-GAAP Financial Measures".

(3) "Net debt" is defined as bank debt plus working capital (adjusted for the fair value of financial instruments). See "Non-GAAP Financial Measures" in the Company's Q1 2018 Management's Discussion and Analysis.

(4) "Net capital expenditures" is defined as the sum of E&P capital program and other corporate expenditures, net of non-core dispositions. See "Non-GAAP Financial Measures".

- Net debt at March 31, 2018 of \$1,623.6 million is a 7% reduction from year-end 2017 net debt of \$1,737.2 million.
- The Company has elected to increase the quarterly dividend to \$0.09/common share given the strong free cash flow generation capability and outlook.
- First quarter 2018 earnings of \$129.6 million constitute a 30% increase from first quarter 2017 earnings of \$99.5 million, highlighting the underlying profitability of the EP business, despite low natural gas prices. Tourmaline continues to demonstrate strong and appreciating returns on invested capital in all three operated complexes.
- Q1 2018 operating costs were \$3.36/boe, up marginally from \$3.19/boe in 2017, but very strong given the significant activity ramp up in the Peace River High Triassic oil complex.

## PRODUCTION

- Q1 2018 production of 268,526 boepd was a 15% increase from Q1 2017 production of 233,278 boepd and 2% from Q4 2017. Record production levels in excess of 280,000 boepd were achieved several times during April 2018. Q1 liquids production (oil, condensate, NGLs) was 47,070 bpd, a 3% increase from Q4 2017, and the Company remains on track for full-year 2018 average liquids production of 50,000 bpd. The full-year 2018 total production guidance remains unchanged at 270,000-280,000 boepd.
- First quarter 2018 production was impacted by approximately 1,500 boepd at Gundy, BC due to third-party plant constraints related to high condensate rates from the Company's new Montney horizontals. Cold weather-related production interruptions in the Peace River High Triassic oil complex reduced quarterly production by approximately 1,500 boepd.
- The Company plans to continue to manage production in the 265,000-275,000 range during Q2 and Q3 2018, a period of expected lower AECO gas prices, and subsequently ramp production back to over 280,000 boepd in Q4 when more favorable natural gas prices are anticipated. The Company has approximately 18,500 boepd of production either awaiting facility capacity or shut-in. Tourmaline is currently estimating 2018 exit production of between 285,000 and 290,000 boepd.
- The Company is increasing 2019 production guidance from 283,000 to 291,000 boepd, a 3% increase from previous guidance, driven largely by an increase in average liquids production (oil, condensate and NGL) to 64,500 bpd. The Company has accelerated a series of liquid-growth projects into Q4 2018, which allows for this 2019 increase. In aggregate, 2019 production growth will now be up 6% over assumed 2018 average production of 275,000 boepd.

## FIVE-YEAR PLAN GUIDANCE

- Tourmaline has made modest revisions to the five-year plan released on November 8, 2017. The main changes are a reduction in the AECO natural gas price employed in 2018 from \$2.50/mcf Cdn to \$2.00/mcf and a reduction to \$2.25/mcf for 2019-2022, as well as an increase in total liquids production and the liquids prices employed in the plan.

- Tourmaline's realized natural gas price in Q1 2018 was \$2.97/mcf, a 43% premium to the first quarter AECO index price.
- Anticipated production and cash flow in 2019/2020 have been increased and projected 2019 cash flow of \$1.62 billion (\$5.96/share) is 8% higher than the \$1.50 billion in the previous plan. Free cash flow before dividends in 2019 is up materially to \$231 million from \$110 million previously. 2018 production and full-year cash flow are essentially unchanged in the new plan.
- 2018 E&P capital program (net of dispositions) of \$1.08 billion and the 2019 E&P capital program of \$1.35 billion are unchanged from the previous plan.

## EP UPDATE

- Tourmaline will continue to execute an average full-year 12 drilling rig program in 2018 and 2019. The Company is currently operating four-five drilling rigs through break-up, and will ramp EP activity up in the second half of June/early July 2018.
- Tourmaline has accelerated four liquids production projects in order to be on-stream during the fourth quarter of 2018:
  - 1) A compression and pipeline project in Spirit River West that will bring on-stream approximately 3,000 bpd of incremental light oil production.
  - 2) A sweetening facility in Doe, BC that will allow for a 3,500 bpd condensate production increase.
  - 3) A compression expansion and pipeline project in the Northern Alberta Deep Basin that is expected to increase condensate and NGL production by 1,250 bpd.
  - 4) An early, interim tie-in project at Gundy, BC that will add approximately 1,500 bpd of condensate production in Q4 2018.
- Tourmaline remains on track to drill and complete 225-230 wells in 2018. Drill and complete capital costs remain essentially unchanged from 2017 thus far in 2018.
- Post break-up, EP activities will include testing of the latest Deep Basin Cardium gas/condensate pad drilled in March and drilling of the Company's first Montney horizontal on the Company's 71 sections of land (gross) in greater Attachie, BC. Several exploration new pool wildcat locations are included in the 2H 2018 drilling program.

## CORPORATE SUMMARY – FIRST QUARTER 2018

	Three Months Ended March 31,		
	2018	2017	Change
<b>OPERATIONS</b>			
Production			
Natural gas ( <i>mcf/d</i> )	1,328,733	1,194,380	11%
Crude oil and NGL ( <i>bbl/d</i> )	47,070	34,215	38%
Oil equivalent ( <i>boe/d</i> )	268,526	233,278	15%
Product prices <sup>(1)</sup>			
Natural gas ( <i>\$/mcf</i> )	\$ 2.97	\$ 3.15	(6)%
Crude oil and NGL ( <i>\$/bbl</i> )	\$ 46.08	\$ 41.73	10%
Operating expenses ( <i>\$/boe</i> )	\$ 3.36	\$ 3.50	(4)%
Transportation costs ( <i>\$/boe</i> )	\$ 3.32	\$ 2.81	18%
Operating netback <sup>(3)</sup> ( <i>\$/boe</i> )	\$ 15.25	\$ 14.59	5%
Cash general and administrative expenses ( <i>\$/boe</i> ) <sup>(2)</sup>	\$ 0.48	\$ 0.48	–%
<b>FINANCIAL</b>			
<i>(\$000, except share and per share)</i>			
Revenue	550,166	466,645	18%
Royalties	20,119	27,851	(28)%
Cash flow <sup>(3)</sup>	352,248	292,933	20%
Cash flow per share ( <i>diluted</i> ) <sup>(3)</sup>	\$ 1.30	\$ 1.09	19%
Net earnings	129,588	99,534	30%
Net earnings per share ( <i>diluted</i> )	\$ 0.48	\$ 0.37	30%
Capital expenditures ( <i>net of dispositions</i> )	217,551	399,385	(46)%
Weighted average shares outstanding ( <i>diluted</i> )	271,083,946	269,394,040	1%
Net debt <sup>(3)</sup>	(1,623,620)	(1,695,281)	(4)%

(1) Product prices include realized gains and losses on financial instrument contracts.

(2) Excluding interest and financing charges.

(3) See "Non-GAAP Financial Measures" in the attached Management's Discussion and Analysis.

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

Tourmaline will host a conference call tomorrow, May 9, 2018 starting at 9:00 a.m. MT (11:00 a.m. ET). To participate, please dial 1-888-231-8191 (toll-free in North America), or international dial-in 647-427-7450, a few minutes prior to the conference call.

Conference ID is 3899274.

## Reader Advisories

### CURRENCY

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

### FORWARD-LOOKING INFORMATION

This news release contains forward-looking information and statements (collectively, "forward-looking information") within the meaning of applicable securities laws. The use of any of the words "forecast", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "on track", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning Tourmaline's plans and other aspects of its anticipated future operations, management focus, objectives, strategies, financial, operating and production results and business opportunities, including the following: anticipated petroleum and natural gas production and production growth for various periods; the future declaration and payment of dividends and the timing and amount thereof; drilling inventory or locations; cash flow; cash flow per share; free cash flow; net debt-to-cash flow levels; production levels supported by certain of the Company's reserves and drilling inventory; capital spending; cost reduction initiatives; projected operating and drilling costs; the timing for facility expansions and facility start-up dates; as well as Tourmaline's future drilling prospects and plans, business strategy, future development and growth opportunities, prospects and asset base. The forward-looking information is based on certain key expectations and assumptions made by Tourmaline, including expectations and assumptions concerning the following: prevailing and future commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the state of the economy and the exploration and production business; the availability and cost of financing, labour and services; and ability to market crude oil, natural gas and NGL successfully. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, free cash flow, financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tourmaline to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

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

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

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

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

#### **NON-GAAP FINANCIAL MEASURES**

This news release includes references to "free cash flow", "cash flow", "net debt" and "net capital expenditures" which are financial measures commonly used in the oil and gas industry and do not have a standardized meaning prescribed by International Financial Reporting Standards ("GAAP"). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses the term "free cash flow", "cash flow", "net debt" and "net capital expenditures" 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, to pay dividends or to repay debt. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to net income or cash from operating activities determined in accordance with GAAP as an indication of the Company's performance. Free cash flow is calculated as cash flow less total net capital expenditures and is prior to dividend payments. Net capital expenditures is defined as the sum of E&P capital program and other corporate expenditures, net of non-core dispositions. See "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis for the definition and description of "cash flow" and "net debt".

## **FINANCIAL OUTLOOK**

Also included in this news release are estimates of Tourmaline's 2018 and 2019 annual cash flows, which are based on, among other things, the various assumptions as to production levels, capital expenditures, and other assumptions disclosed in this news release and including Tourmaline's estimated average production of 270,000-280,000 boepd for 2018 and 291,000 boepd for 2019 and commodity price assumptions for natural gas (AECO - \$2.00/mcf for 2018 and \$2.25/mcf for 2019), and crude oil (WTI (US) - \$60.00/bbl for 2018 and 2019) and an exchange rate assumption of \$0.80 (US/CAD) for 2018 and 2019. To the extent such estimate constitutes a financial outlook, it was approved by management and the Board of Directors of Tourmaline on May 8, 2018 and is included to provide readers with an understanding of Tourmaline's anticipated cash flow based on the capital expenditure, production and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

## **GENERAL**

See also "Forward-Looking Statements", "Boe Conversions" and "Non-GAAP Financial Measures" in the most recently filed Management's Discussion and Analysis.

**CERTAIN DEFINITIONS:**

<i>bbl</i>	barrel
<i>bbls/day</i>	barrels per day
<i>bbl/mmcft</i>	barrels per million cubic feet
<i>bcf</i>	billion cubic feet
<i>bcfe</i>	billion cubic feet equivalent
<i>bpd or bbl/d</i>	barrels per day
<i>boe</i>	barrel of oil equivalent
<i>boepd or boe/d</i>	barrel of oil equivalent per day
<i>bopd or bbl/d</i>	barrel of oil, condensate or liquids per day
<i>EP</i>	exploration and production
<i>gj</i>	gigajoule
<i>gjs/d</i>	gigajoules per day
<i>mbbls</i>	thousand barrels
<i>mmbbls</i>	million barrels
<i>mboe</i>	thousand barrels of oil equivalent
<i>mcf</i>	thousand cubic feet
<i>mcftpd or mcf/d</i>	thousand cubic feet per day
<i>mcfe</i>	thousand cubic feet equivalent
<i>mmboe</i>	million barrels of oil equivalent
<i>mmbtu</i>	million British thermal units
<i>mmbtu/d</i>	million British thermal units per day
<i>mmcf</i>	million cubic feet
<i>mmcftpd or mmcf/d</i>	million cubic feet per day
<i>NGL or NGLs</i>	natural gas liquids

## MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

To view Tourmaline's Management's Discussion and Analysis and Interim Condensed Consolidated Financial Statements for the periods ended March 31, 2018 and 2017, please refer to the SEDAR ([www.sedar.com](http://www.sedar.com)) as well as Tourmaline's website at [www.tourmalineoil.com](http://www.tourmalineoil.com).

### ABOUT TOURMALINE OIL CORP.

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

#### FOR FURTHER INFORMATION, PLEASE CONTACT:

Tourmaline Oil Corp.

Michael Rose

Chairman, President and Chief Executive Officer

(403) 266-5992

OR

Tourmaline Oil Corp.

Brian Robinson

Vice President, Finance and Chief Financial Officer

(403) 767-3587; [robinson@tourmalineoil.com](mailto:robinson@tourmalineoil.com)

OR

Tourmaline Oil Corp.

Scott Kirker

Secretary and General Counsel

(403) 767-3593; [kirker@tourmalineoil.com](mailto:kirker@tourmalineoil.com)

OR

Tourmaline Oil Corp.

Suite 3700, 250 – 6th Avenue S.W.

Calgary, Alberta T2P 3H7

Phone: (403) 266-5992

Facsimile: (403) 266-5952

E-mail: [info@tourmalineoil.com](mailto:info@tourmalineoil.com)

Website: [www.tourmalineoil.com](http://www.tourmalineoil.com)