TOURMALINE
OIL CORP.

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

As at June 30, 2015 and for the three and six months ended June 30, 2015 and 2014

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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 as at and for the three and six months ended June 30, 2015 and the consolidated financial statements for the year ended December 31, 2014. Both the consolidated financial statements and the MD&A can be found at www.sedar.com. This MD&A is dated August 5, 2015.

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, forecasts, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment or expenditures, anticipated future debt, expenses, production, cash flow and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Tourmaline believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political 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 and uncertainty 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 and skilled labour; 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 regulatory or third party 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 June 30,			Six Months Ended June 30,	
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Natural gas *(mcf/d)*	**764,908**	562,912	36%	**757,765**	544,558	39%
Oil *(bbl/d)*	**10,418**	9,713	7%	**10,610**	9,204	15%
NGL *(bbl/d)*	**5,731**	6,421	(11)%	**6,775**	6,315	7%
Oil equivalent *(boe/d)*	**143,634**	109,953	31%	**143,679**	106,278	35%
Natural Gas %	**89%**	85%		**88%**	85%	

Production for the three months ended June 30, 2015 averaged 143,634 boe/d, a 31% increase over the average production for the same quarter of 2014 of 109,953 boe/d. For the six months ended June 30, 2015, production increased 35% to 143,679 boe/d from 106,278 boe/d for the same period in 2014. Wells brought on stream via the Company's exploration and production program accounted for approximately 90% of the growth in production volumes in 2015 over 2014, with the remainder of the change being from corporate and property acquisitions (net of dispositions). The slight increase in the natural gas weighting is mostly due to the sale of 25% of the Company's oil producing assets in the Peace River High Complex in the fourth quarter of 2014 as well as a decrease in NGL production in the second quarter of 2015. Tourmaline processed less natural gas through the third-party deep-cut facility at Wild River during the quarter due to the current economics of propane and ethane.

Full-year average production guidance for 2015 remains unchanged at 164,500 boe/d (as disclosed in the Company's press release dated March 9, 2015).

REVENUE

		Three Months Ended June 30,			Six Months Ended June 30,	
(000s)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Revenue from:						
Natural gas	**$ 220,315**	$ 241,108	(9)%	**$ 469,278**	$ 495,870	(5)%
Oil and NGL	**78,381**	109,430	(28)%	**150,721**	203,935	(26)%
Total revenue from natural gas, oil and NGL sales	**$ 298,696**	$ 350,538	(15)%	**$ 619,999**	$ 699,805	(11)%

Revenue for the three months ended June 30, 2015 decreased 15% to $298.7 million from $350.5 million for the same quarter of 2014. Revenue for the six-month period ended June 30, 2015 decreased 11% from $699.8 million in 2014 to $620.0 million in 2015. Lower revenue for the period is consistent with the significant decrease in realized commodity prices, partially offset by higher production volumes and realized gains on energy marketing and hedging activities. Revenue includes all petroleum, natural gas and NGL sales and the realized gain (loss) on financial instruments.

TOURMALINE REALIZED PRICES:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Natural gas *($/mcf)*	**$ 3.17**	$ 4.71	(33)%	**$ 3.42**	$ 5.03	(32)%
Oil *($/bbl)*	**$ 73.19**	$ 98.31	(26)%	**$ 67.27**	$ 96.37	(30)%
NGL *($/bbl)*	**$ 17.26**	$ 38.57	(55)%	**$ 17.56**	$ 37.97	(54)%
Oil equivalent *($/boe)*	**$ 22.85**	$ 35.03	(35)%	**$ 23.84**	$ 36.38	(34)%

BENCHMARK OIL AND GAS PRICES:

	Three Months Ended June 30,		
	2015	**2014**	**Change**
Natural gas			
NYMEX Henry Hub *(USD$/mcf)*	**$ 2.74**	$ 4.58	(40)%
AECO *(CAD$/mcf)*	**$ 2.68**	$ 4.70	(43)%
Oil			
NYMEX *(USD$/bbl)*	**$ 57.95**	$ 102.99	(44)%
Edmonton Par *(CAD$/bbl)*	**$ 69.40**	$ 104.54	(34)%

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

	Three Months Ended June 30,		
($/mcf)	**2015**	**2014**	**Change**
AECO index (1)	**$ 2.65**	$ 4.69	(43)%
Heat/quality differential	**0.24**	0.44	(45)%
Realized gain (loss)	**0.38**	(0.27)	241%
Sales point differential (2)	**(0.10)**	(0.15)	33%
Tourmaline realized natural gas price	**$ 3.17**	$ 4.71	(33)%
Premium to AECO pricing due to higher heat content	**9%**	9%	

(1) Weighted based on Tourmaline volumes for the period.

(2) Price differential for production sold at other locations (ex. West Coast Station 2 in Northeast B.C.)

CURRENCY – EXCHANGE RATES:

	Three Months Ended June 30,		
	2015	**2014**	**Change**
CAD$/USD$ (1)	**$ 0.8134**	$ 0.9172	(11)%

(1) Average rates for the period

The realized average natural gas price for the three and six months ended June 30, 2015 was $3.17/mcf and $3.42/mcf, which is 33% and 32% lower than the same periods of the prior year. The lower natural gas price reflects a lower AECO index (43%) experienced during the quarter. Included in the realized price is a gain on commodity contracts in the second quarter of 2015 of $26.4 million (six months ended June 30, 2015 - $84.3 million) compared to a loss of $13.9 million for the same period of the prior year (six months ended June 30, 2014 - $42.5 million). Realized gains on commodity contracts for the quarter and six months ended June 30, 2015 have increased compared to the same periods of the prior year as the market price of natural gas has weakened 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.

Realized oil prices decreased by 26% and 30% for the three and six months ended June 30, 2015, which is consistent with the decrease in the benchmark price for crude oil during the quarter partially offset by a gain on commodity contracts in the second quarter of 2015 of $8.3 million (six months ended June 30, 2015 - $20.9 million). NGL prices decreased 55% from $38.57/bbl to $17.26/bbl, when compared to the same quarter of 2014. The decrease in NGL prices is consistent with the decrease in crude oil and natural gas prices over the period as well as oversupply in the propane market during the second quarter of 2015 leading to significantly reduced prices for that commodity.

ROYALTIES

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s)	**2015**	**2014**	**2015**	**2014**
Natural gas	**$ (1,661)**	$ 20,888	**$ 8,566**	$ 40,472
Oil and NGL	**6,605**	15,586	**11,965**	26,566
Total royalties	**$ 4,944**	$ 36,474	**$ 20,531**	$ 67,038
Royalties as a percentage of revenue	**1.9%**	10.0%	**4.0%**	9.0%

For the quarter ended June 30, 2015, the average effective royalty rate was 1.9% compared to the rate of 10.0% for the same quarter of 2014. For the six-month period ended June 30, 2015, the average effective royalty rate decreased from 9.0% in 2014 to 4.0% in 2015. The decrease in the average effective royalty rate for 2015 can mostly be attributed to significantly lower commodity prices as well as natural gas deep drilling program credits received during the quarter. Royalty rates are impacted by changes in commodity prices whereby the actual royalty rate decreases when prices decrease. Additionally, during the second quarter of 2015, the Company received credits related to gas cost allowance, capital cost allowance and custom processing fees on natural gas production due to a true up of the royalty calculation by the Alberta Government. After removing the impact of these royalty credits, royalties for the three months ended June 30, 2015 would be $11.3 million with a royalty rate of 4.3% and for the six months ended June 30, 2015 royalties would be $26.9 million with a royalty rate of 5.2%.

The Company also 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 is forecasting the royalty rate for 2015 to be approximately 8%. The higher royalty rate reflects a higher forecast natural gas price as well as higher forecast oil price for the second half of 2015. 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 June 30,			Six Months Ended June 30,		
(000s)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Other income	**$ 5,561**	$ 4,502	24%	**$ 13,106**	$ 9,401	39%

Other income increased from $4.5 million in the second quarter of 2014 to $5.6 million in 2015. For the six-month period ended June 30, 2015, other income increased from $9.4 million in 2014 to $13.1 million in 2015. The increase in other income is mainly due to the increase in processing capacity of Company-owned gas plants, where fees are charged to working interest partners on Tourmaline-operated wells.

OPERATING EXPENSES

	Three Months Ended June 30,			Six Months Ended June 30,		
(000s) except per unit amounts	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Operating expenses	**$ 53,647**	$ 52,398	2%	**$ 114,338**	$ 97,887	17%
Per boe	**$ 4.10**	$ 5.24	(22)%	**$ 4.40**	$ 5.09	(14)%

Operating expenses include all periodic lease and field-level expenses and exclude income recoveries from processing third-party volumes. For the second quarter of 2015, total operating expenses were $53.6 million compared to $52.4 million in 2014. Operating costs for the six months ended June 30, 2015 were $114.3 million, compared to $97.9 million for the same period in 2014, reflecting increased costs relating to the growing production base. These increases were offset by lower processing, gathering and compression fees which decreased from $15.1 million in the second quarter of 2014 to $10.2 million in the second quarter of 2015 and from $27.5 million to $23.7 million for the six months ended June 30, 2014 and 2015, respectively.

On a per-boe basis, the costs decreased from $5.24/boe for the second quarter of 2014 to $4.10/boe in the second quarter of 2015. For the six months ended June 30, 2015, operating costs were $4.40/boe, down from $5.09/boe in the prior year. The lower per-unit operating expense is mainly due to the decrease in third-party processing, gathering and compression fees, which were approximately $0.78/boe or 19% of total operating costs in the second quarter of 2015 compared to $1.51/boe or 29% of total operating costs in the same period of 2014. The Company's significant investments in processing facilities in 2014 have reduced the volume of gas flowing to third-party facilities, leading to the reduction in operating expenses on a per-boe basis.

The Company expects its full year 2015 operating costs to average approximately $4.35/boe (as disclosed in the Company's MD&A dated March 9, 2015). Actual costs per boe can change depending on a number of factors including the Company's actual production levels.

TRANSPORTATION

(000s) except per unit amounts	Three Months Ended June 30, 2015	2014	Change	Six Months Ended June 30, 2015	2014	Change
Natural gas transportation	**$ 19,506**	$ 13,859	41%	**$ 39,284**	$ 24,625	60%
Oil and NGL transportation	**6,594**	7,443	(11)%	**15,842**	12,006	32%
Total transportation	**$ 26,100**	$ 21,302	23%	**$ 55,126**	$ 36,631	50%
Per boe	**$ 2.00**	$ 2.13	(6)%	**$ 2.12**	$ 1.90	12%

For the second quarter of 2015, total transportation expenses were $26.1 million compared to $21.3 million in 2014. Transportation costs for the six months ended June 30, 2015 were $55.1 million, compared to $36.6 million for the same period in 2014, reflecting increased costs related to higher production volumes.

On a per-boe basis, the costs decreased from $2.13/boe for the second quarter of 2014 to $2.00/boe in the second quarter of 2015, reflecting a decrease in the proportion of oil and NGLs produced, which are generally more expensive to transport. For the six months ended June 30, 2015, transportation costs were $2.12/boe, up from $1.90/boe for the same period of 2014. This increase in year-to-date per-unit transportation costs is primarily due to NGL pipeline restrictions that were in place in the first quarter of 2015, which necessitated the use of more expensive truck transportation during that period. These NGL pipeline restrictions were not in place during the second quarter of 2015.

GENERAL & ADMINISTRATIVE EXPENSES ("G&A")

(000s) except per unit amounts	Three Months Ended June 30, 2015	2014	Change	Six Months Ended June 30, 2015	2014	Change
G&A expenses	**$ 14,264**	$ 12,404	15%	**$ 28,327**	$ 22,897	24%
Administrative and capital recovery	**(2,244)**	(1,356)	65%	**(4,775)**	(2,183)	119%
Capitalized G&A	**(6,007)**	(4,609)	30%	**(11,321)**	(8,965)	26%
Total G&A expenses	**$ 6,013**	$ 6,439	(7)%	**$ 12,231**	$ 11,749	4%
Per boe	**$ 0.46**	$ 0.64	(28)%	**$ 0.47**	$ 0.61	(23)%

The increase in gross G&A expenses in 2015 compared to 2014 is primarily due to staff additions needed to manage the larger production, reserve and land base. The Company increased its staff count by approximately 15% from June 2014 to June 2015. G&A expenses for the second quarter of 2015 were $6.0 million compared to $6.4 million for the same quarter of the prior year. G&A expenses for the six-month period ended June 30, 2015 were $12.2 million compared to $11.7 million for the same period in 2014. The lower total G&A expenses in the second quarter of 2015 compared to 2014 is due to higher administrative and capital recoveries billed to the Company's joint-interest partners as the Company has a higher percentage of wells which it operates on behalf of its partners and, as such, is able to recover more of its G&A expenses.

On a per-boe basis, G&A expenses decreased from $0.64/boe for the second quarter of 2014 to $0.46/boe in the second quarter of 2015. For the six months ended June 30, 2015, G&A expenses were $0.47/boe, down from $0.61/boe in the prior year. The decrease per boe reflects Tourmaline's growing production base which continues to increase at a faster rate than G&A costs.

G&A costs for 2015 are forecast to average 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

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s) except per unit amounts	**2015**	**2014**	**2015**	**2014**
Share-based payments	**$ 16,240**	$ 13,612	**$ 32,848**	$ 27,014
Capitalized share-based payments	**(8,120)**	(6,806)	**(16,424)**	(13,507)
Total share-based payments	**$ 8,120**	$ 6,806	**$ 16,424**	$ 13,507
Per boe	**$ 0.62**	$ 0.68	**$ 0.63**	$ 0.70

The Company uses the fair value method for the determination of non-cash related share-based payments expense. During the second quarter of 2015, 760,000 stock options were granted to employees, officers, directors and key consultants at a weighted-average exercise price of $39.48 and 396,466 options were exercised, resulting in $8.4 million of cash proceeds.

The Company recognized $8.1 million of share-based payments expense in the second quarter of 2015 compared to $6.8 million in the second quarter of 2014. Capitalized share-based payments for the second quarter of 2015 were $8.1 million compared to $6.8 million for the same period of the prior year. Share-based payments are higher in 2015 compared to the same period in 2014 due to a higher number of options outstanding.

For the six months ended June 30, 2015, share-based payment expense totalled $16.4 million and a further $16.4 million in share-based payments were capitalized (six months ended June 30, 2014 - $13.5 million and $13.5 million, respectively). Share-based payments are higher in 2015 compared to the same periods in 2014, which reflects a higher number of options outstanding.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s) except per unit amounts	**2015**	**2014**	**2015**	**2014**
Total depletion, depreciation and amortization	**$ 177,645**	$ 127,102	**$ 345,333**	$ 242,637
Less mineral lease expiries	**(21,855)**	(5,739)	**(36,434)**	(13,309)
Depletion, depreciation and amortization	**$ 155,790**	$ 121,363	**$ 308,899**	$ 229,328
Per boe	**$ 11.92**	$ 12.13	**$ 11.88**	$ 11.92

DD&A expense, excluding mineral lease expiries, was $155.8 million for the second quarter of 2015 compared to $121.4 million for the same period of 2014. For the six-month period ended June 30, 2015, DD&A expense (excluding mineral lease expiries) was $308.9 million compared to $229.3 million in the same period of 2014. The increase in DD&A expense in 2015 over 2014 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 $11.92/boe for the second quarter of 2015 compared to the rate of $12.13/boe for the same quarter in 2014. The per-unit DD&A rate (excluding the impact of mineral lease expiries) was $11.88/boe for the six-month period ended June 30, 2015 compared to the rate of $11.92/boe in the same period of the prior year.

Mineral lease expiries for the three months ended June 30, 2015 were $21.9 million, compared to expiries in the same quarter of the prior year of $5.7 million. For the six months ended June 30, 2015, expiries were $36.4 million compared with $13.3 million for the same period in 2014. The Company prioritizes drilling on what it believes to be the most cost-efficient and productive acreage, and with such a large land base, the Company has chosen not to continue some of the expiring sections of land.

FINANCE EXPENSES

	Three Months Ended June 30,			Six Months Ended June 30,		
(000s)	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Interest expense	**$ 9,777**	$ 5,379	82%	**$ 17,984**	$ 10,319	74%
Accretion expense	**699**	623	12%	**1,250**	1,161	8%
Transaction costs on corporate and property acquisitions	**500**	1,496	(67)%	**1,025**	1,496	(31)%
Total finance expenses	**$ 10,976**	$ 7,498	46%	**$ 20,259**	$ 12,976	56%

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 six months ended June 30, 2015 totaled $11.0 million and $20.3 million respectively, compared to $7.5 million and $13.0 million for the same periods of 2014. The increase in finance expenses in 2015 over 2014 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 six months ended June 30, 2015 was $1,173.3 million (June 30, 2014 - $602.5 million), with an average effective interest rate of 2.72% (2014 – 3.02%).

DEFERRED INCOME TAXES

For the three months ended June 30, 2015, the provision for deferred income tax expense was $40.9 million compared to $25.2 million for the same period in 2014. The increase is primarily due to the increase in the Alberta corporate tax rate legislated by Alberta’s new NDP government from 10% to 12% during the quarter, which was partially offset by lower pre-tax earnings recorded in the second quarter of 2015 compared to the respective period in 2014.

For the six months ended June 30, 2015, the provision for deferred income tax expense was $51.3 million compared to $58.1 million for the same period in 2014. The decrease is due to lower pre-tax earnings recorded for the six months ended June 30, 2015 compared to the respective period in 2014, which was partially offset by the increase in Alberta’s corporate tax rate.

CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW AND NET EARNINGS (LOSS)

	Three Months Ended June 30,			Six Months Ended June 30,		
(000s) except per unit amounts	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Cash flow from operating activities	**$ 151,028**	$ 231,756	(35)%	**$ 345,398**	$ 481,146	(28)%
Per share [1]	**$ 0.71**	$ 1.13	(37)%	**$ 1.65**	$ 2.39	(31)%
Cash flow [2]	**$ 203,029**	$ 231,542	(12)%	**$ 410,769**	$ 484,129	(15)%
Per share [1][2]	**$ 0.95**	$ 1.13	(16)%	**$ 1.96**	$ 2.41	(19)%
Net earnings (loss)	**$ (5,197)**	$ 66,437	(108)%	**$ 16,962**	$ 156,305	(89)%
Per share [1]	**$ (0.02)**	$ 0.32	(106)%	**$ 0.08**	$ 0.78	(90)%
Operating netback per boe [2]	**$ 16.37**	$ 24.02	(32)%	**$ 16.53**	$ 25.90	(36)%

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

(2) See "Non-GAAP Financial Measures"

Cash flow for the three months ended June 30, 2015 was $203.0 million or $0.95 per share compared to $231.5 million or $1.13 per diluted share for the same period of 2014. Cash flow for the six months ended June 30, 2015 was $410.8 million or $1.96 per share compared to $484.1 million or $2.41 per diluted share for the same period of 2014.

The Company had an after-tax loss for the three months ended June 30, 2015 of $5.2 million or $0.02 per share compared to net earnings of $66.4 million or $0.32 per diluted share for the same period of 2014. For the six-month period ended June 30, 2015, net earnings were $17.0 million or $0.08 per share compared to net earnings of $156.3 million or $0.78 per diluted share for the first half of 2014. The decrease in both cash flow and after-tax earnings in 2015 reflects significantly lower realized oil, natural gas and NGL prices, partially offset by an increase in production over 2014.

CAPITAL EXPENDITURES

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s)	**2015**	**2014**	**2015**	**2014**
Land and seismic	**$ 3,845**	$ 7,396	**$ 28,899**	$ 37,150
Drilling and completions	**108,985**	136,886	**386,267**	418,035
Facilities	**85,034**	144,165	**269,662**	294,598
Property acquisitions	**85,871**	4,192	**90,386**	4,777
Property dispositions	–	(100)	**(519)**	(100)
Other	**6,894**	5,194	**13,316**	9,669
Total cash capital expenditures	**$ 290,629**	$ 297,733	**$ 788,011**	$ 764,129

During the second quarter of 2015, the Company invested $290.6 million of cash consideration, net of dispositions, compared to $297.7 million for the same period of 2014. Expenditures on exploration and production were $197.9 million compared to $288.4 million for the same quarter of 2014. During the six-month period ended June 30, 2015, the Company invested $788.0 million of cash consideration, net of dispositions, compared to $764.1 million for the same period in 2014. The drilling and completion costs of $386.3 million in 2015 include 6.25 more net wells drilled and completed over 2014 at a lower cost per well reflecting continuous improvement of capital efficiencies. Facilities expenditures include work on the new Mulligan oil battery, preliminary expenditures on the Spirit River Sour Gas Plant expansion and the new Edson Gas Plant, all scheduled to be commissioned in the second half of 2015 or early 2016.

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

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Gross	Net	Gross	Net
Drilled	**66**	**55.74**	68	61.48
Completed	**75**	**65.22**	59	53.23
Tied-in	**36**	**29.54**	35	31.11

LIQUIDITY AND CAPITAL RESOURCES

On March 12, 2015, the Company issued 640,000 flow-through common shares at a price of $50.00 per share, for total gross proceeds of $32.0 million. The proceeds were used to temporarily reduce bank debt and then to fund the Company's 2015 exploration and development program.

On April 1, 2015, the Company purchased Perpetual Energy Inc.'s interests in the West Edson area of the Alberta Deep Basin with the issuance 6,750,000 shares at a closing price on that date of $38.32 per share, for total consideration of $258.7 million.

On June 23, 2015, the Company issued 4,947,500 common shares at a price of $39.50 per share for total gross proceeds of $195.4 million. The proceeds were used to temporarily reduce bank debt and to fund the Company's 2015 exploration and development program.

The Company has a covenant-based, unsecured, bank credit facility in place with a syndicate of bankers. In June 2015, the Company increased the facility amount from $1,550.0 to $1,800.0 million. The term was also increased from three to four years, resulting in an initial maturity of June 2019. The credit facility also includes an expansion feature ("accordion") which allows the Company, upon approval from the lenders, to increase the facility amount by up to $500.0 million by adding a new financial institution or by increasing the commitment of its existing lenders. With the exception of the increase in the facility amount, length of term and the addition of the accordion feature, the debt was renewed under the same terms and conditions as those outlined in note 9 of the Company's consolidated financial statements for the year ended December 31, 2014. The Company also has a $50.0 million operating revolver, resulting in total bank credit facility capacity of $1,850.0 million. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The facility can be drawn in either Canadian or U.S. funds and bears interest at the bank's prime lending rate, banker's acceptance rates or LIBOR (for U.S. borrowings), plus applicable margins, which range from 0.50% to 3.15% depending on the type of borrowing and the Company's senior debt to adjusted EBITDA ratio.

The Company also has 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.

As at June 30, 2015, the Company had negative working capital of $86.1 million, after adjusting for the fair value of financial instruments (the unadjusted working capital deficiency was $70.2 million) (December 31, 2014 – $223.7 million and $189.9 million, respectively). As at June 30, 2015, the Company had $248.7 million in long-term debt outstanding and $948.7 million drawn against the revolving credit facility for total bank debt of $1,197.4 million (net of prepaid interest and debt issue costs) (December 31, 2014 - $918.9 million). Net debt was $1,283.5 million (December 31, 2014 - $1,142.5 million). Management believes the Company has sufficient liquidity and capital resources to fund the remainder of its 2015 exploration and development programs through expected cash flow from operations and its unutilized borrowing capacity.

SHARES AND STOCK OPTIONS OUTSTANDING

As at August 5, 2015, the Company has 216,461,865 common shares outstanding and 17,179,414 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	$ 4,762	$ 11,033	$ 9,415	$ –	$ 25,210
Firm transportation and processing agreements	129,438	394,743	280,076	588,312	1,392,569
Capital commitments (1)	315,066	910,794	150,000	–	1,375,860
Flow-through share commitments	29,217	–	–	–	29,217
Revolving credit facility (2)	–	–	1,061,312	–	1,061,312
Term debt (3)	11,131	22,263	265,999	–	299,393
	$ 489,614	$ 1,338,833	$1,766,802	$ 588,312	$ 4,183,561

(1) Includes drilling commitments, and capital spending commitments under the joint arrangement in the Spirit River complex of $301.5 million in year 1 and $300.0 million per year thereafter until 2019. The capital spending commitment can be deferred to future periods in the event of an economic downturn, and as agreed upon by both parties.

(2) Includes interest expense at an annual rate of 2.71% being the rate applicable to outstanding debt on the credit facility at June 30, 2015.

(3) Includes interest expense at an annual rate of 4.47% being the fixed rate on the term debt (including the interest rate swap) at June 30, 2015.

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, 2014.

As at June 30, 2015, 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 (loss) and comprehensive income (loss). The contracts that the Company has in place at June 30, 2015 are summarized and disclosed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

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 June 30, 2015 have been summarized and disclosed in note 3 of the Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

Physical delivery contracts entered into subsequent to June 30, 2015 are detailed in note 3 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

There were no financial derivative contracts entered into subsequent to June 30, 2015.

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, 2014.

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. 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 April 1, 2015 and ending on June 30, 2015 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.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control-Integrated Framework (1992). Tourmaline adopted the 2013 Framework for the year ended December 31, 2014.

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 the sum of drawn amounts on the credit facility, the term loan and outstanding letters of credit less cash and cash equivalents and excluding debt issue costs ("bank debt"), "total debt" means generally the sum of "senior debt" plus subordinated debt, Tourmaline currently does not have any subordinated debt, and "total capitalization" means generally the sum of the Company's shareholders' equity and all other indebtedness of the Company including bank debt, all determined on a consolidated basis in accordance with GAAP.

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 June 30,		Six Months Ended June 30,	
(000s)	**2015**	**2014**	**2015**	**2014**
Cash flow from operating activities (per GAAP)	**$ 151,028**	$ 231,756	**$ 345,398**	$ 481,146
Change in non-cash working capital	**52,001**	(214)	**65,371**	2,983
Cash flow	**$ 203,029**	$ 231,542	**$ 410,769**	$ 484,129

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 June 30,		Six Months Ended June 30,	
($/boe)	**2015**	**2014**	**2015**	**2014**
Revenue, excluding processing income	**$ 22.85**	$ 35.03	**$ 23.84**	$ 36.38
Royalties	**(0.38)**	(3.65)	**(0.79)**	(3.48)
Transportation costs	**(2.00)**	(2.13)	**(2.12)**	(1.90)
Operating expenses	**(4.10)**	(5.24)	**(4.40)**	(5.09)
Operating netback (1)	**$ 16.37**	$ 24.02	**$ 16.53**	$ 25.90

(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 June 30, 2015**	**As at December 31, 2014**
Working capital (deficit)	**$ (70,156)**	$ (189,928)
Fair value of financial instruments – short-term (net)	**(15,934)**	(33,727)
Working capital (deficit) (adjusted for the fair value of financial instruments)	**$ (86,090)**	$ (223,655)

Net Debt

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

(000s)	**As at June 30, 2015**	**As at December 31, 2014**
Bank debt	**$(1,197,447)**	$ (918,854)
Working capital (deficit)	**(70,156)**	(189,928)
Fair value of financial instruments – short-term (net)	**(15,934)**	(33,727)
Net debt	**$(1,283,537)**	$(1,142,509)

SELECTED QUARTERLY INFORMATION

	2015		2014				2013	
($000s, unless otherwise noted)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
PRODUCTION								
Natural gas *(mcf)*	**69,606,629**	67,548,751	63,719,524	51,771,964	51,225,036	47,339,926	41,062,993	36,486,443
Oil and NGL*(bbls)*	**1,469,591**	1,677,123	1,426,951	1,307,089	1,468,198	1,340,699	1,076,395	735,727
Oil equivalent *(boe)*	**13,070,696**	12,935,248	12,046,872	9,935,749	10,005,704	9,230,686	7,920,228	6,816,800
Natural gas *(mcf/d)*	**764,908**	750,542	692,604	562,739	562,912	525,999	446,337	396,592
Oil and NGL *(bbls/d)*	**16,149**	18,635	15,510	14,207	16,134	14,897	11,700	7,997
Oil equivalent *(boe/d)*	**143,634**	143,725	130,944	107,997	109,953	102,563	86,089	74,096
FINANCIAL								
Revenue, net of royalties	**283,062**	312,834	351,939	311,586	313,655	317,336	219,069	167,138
Cash flow from operating activities	**151,028**	194,370	201,188	233,047	231,756	249,390	128,852	128,192
Cash flow [1]	**203,029**	207,740	233,238	211,635	231,542	252,587	160,732	120,560
Per diluted share	**0.95**	1.01	1.14	1.03	1.13	1.28	0.83	0.64
Net earnings (loss)	**(5,197)**	22,159	265,210	67,357	66,437	89,868	56,763	9,163
Per basic share	**(0.02)**	0.11	1.31	0.33	0.33	0.47	0.30	0.05
Per diluted share	**(0.02)**	0.11	1.29	0.33	0.32	0.45	0.29	0.05
Total assets	**7,071,801**	6,801,583	6,622,303	5,978,645	5,446,094	5,082,535	4,696,471	4,210,171
Working capital (deficit)	**(70,156)**	(195,907)	(189,928)	(493,160)	(131,672)	(255,240)	(245,314)	(206,250)
Working capital (deficit)(adjusted for the fair value of financial instruments) [1]	**(86,090)**	(232,572)	(223,655)	(495,222)	(123,166)	(248,094)	(242,623)	(204,507)
Cash capital expenditures	**290,629**	497,382	152,135	647,302	297,733	466,396	497,941	468,261
Total outstanding shares *(000s)*	**216,378**	204,284	203,162	201,673	201,431	195,567	189,805	184,621
PER UNIT								
Natural *gas ($/mcf)*	**3.17**	3.69	4.09	4.34	4.71	5.38	3.84	3.30
Oil and NGL *($/bbl)*	**53.34**	43.13	55.91	74.61	74.53	70.49	71.83	91.65
Revenue *($/boe)*	**22.85**	24.84	28.25	32.41	35.03	37.84	29.69	27.58
Operating netback *($/boe)* [1]	**16.37**	16.70	20.23	22.19	24.02	27.94	21.29	18.59

(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 74,796 boe per day in 2013 to 112,929 boe per day in 2014 and 143,679 boe per day in the first six months of 2015. 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 second quarter of 2015, from the first quarter of 2015, is due to unplanned third party maintenance by TCPL on the Edson, Alberta lateral and by Spectra on the T North B.C. system. Similar-type unplanned downtime was experienced in the same period of 2014 where there was 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 flow was $526.8 million in 2013, $929.0 million in 2014, and 2015 forecast cash flow is $982.1 million, reflecting the strong production growth year over year. 2015 cash flow to date has been significantly impacted by the drop in commodity prices. Commodity price fluctuations can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenue and cash flow available for exploration, and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. The Company's capital program is dependent on cash flow generated from operations and access to capital markets.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(000s) (unaudited)	**June 30, 2015**	**December 31, 2014**
Assets		
Current assets:		
Cash and cash equivalents	**$ –**	$ 263,052
Accounts receivable	**154,369**	203,212
Prepaid expenses and deposits	**16,030**	11,417
Fair value of financial instruments *(note 3)*	**25,472**	35,571
Total current assets	**195,871**	513,252
Fair value of financial instruments *(note 3)*	**4,806**	–
Long-term asset	**7,014**	7,145
Exploration and evaluation assets *(notes 4 and 5)*	**669,787**	635,633
Property, plant and equipment *(note 5)*	**6,194,323**	5,466,273
Total Assets	**$ 7,071,801**	$ 6,622,303
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 256,489**	$ 701,336
Fair value of financial instruments *(note 3)*	**9,538**	1,844
Total current liabilities	**266,027**	703,180
Bank debt *(note 7)*	**1,197,447**	918,854
Fair value of financial instruments *(note 3)*	**10,047**	6,356
Deferred premium on flow-through shares (*note 9*)	**5,769**	3,210
Decommissioning obligations *(note 6)*	**123,397**	114,038
Deferred taxes	**474,288**	422,090
Shareholders' equity:		
Share capital *(note 9)*	**4,113,377**	3,615,378
Non-controlling interest *(note 8)*	**29,198**	30,006
Contributed surplus	**150,423**	124,325
Retained earnings	**701,828**	684,866
Total shareholders' equity	**4,994,826**	4,454,575
Total Liabilities and Shareholders' Equity	**$ 7,071,801**	$ 6,622,303

Commitments (note 12)

Subsequent events (notes 3 and 14)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s) except per-share amounts (unaudited)	**2015**	**2014**	**2015**	**2014**
Revenue:				
Oil and natural gas sales	**$ 263,974**	$ 365,469	**$ 514,780**	$ 743,237
Royalties	**(4,944)**	(36,474)	**(20,531)**	(67,038)
Net revenue from oil and natural gas sales	**259,030**	328,995	**494,249**	676,199
Realized gain (loss) on financial instruments	**34,722**	(14,931)	**105,219**	(43,432)
Unrealized (loss) on financial instruments *(note 3)*	**(16,251)**	(4,911)	**(16,678)**	(11,177)
Other income	**5,561**	4,502	**13,106**	9,401
Total net revenue	**283,062**	313,655	**595,896**	630,991
Expenses:				
Operating	**53,647**	52,398	**114,338**	97,887
Transportation	**26,100**	21,302	**55,126**	36,631
General and administration	**6,013**	6,439	**12,231**	11,749
Share-based payments *(note 11)*	**8,120**	6,806	**16,424**	13,507
(Gain) on divestitures	**(35,053)**	(201)	**(35,232)**	(201)
Depletion, depreciation and amortization	**177,645**	127,102	**345,333**	242,637
Total expenses	**236,472**	213,846	**508,220**	402,210
Income from operations	**46,590**	99,809	**87,676**	228,781
Finance expenses	**10,976**	7,498	**20,259**	12,976
Income before taxes	**35,614**	92,311	**67,417**	215,805
Deferred taxes	**40,927**	25,172	**51,263**	58,130
Net income (loss) and comprehensive income (loss) before non-controlling interest	**(5,313)**	67,139	**16,154**	157,675
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	**(5,197)**	66,437	**16,962**	156,305
Non-controlling interest *(note 8)*	**(116)**	702	**(808)**	1,370
	$ (5,313)	$ 67,139	**$ 16,154**	$ 157,675
Net income (loss) per share attributable to common shareholders *(note 10)*				
Basic	**$ (0.02)**	$ 0.33	**$ 0.08**	$ 0.80
Diluted	**$ (0.02)**	$ 0.32	**$ 0.08**	$ 0.78

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, 2014	$ 3,615,378	$ 124,325	$ 684,866	$ 30,006	$ 4,454,575
Issue of common shares *(note 9)*	221,108	–	–	–	221,108
Issue of common shares on acquisitions (*note 9*)	258,660	–	–	–	258,660
Share issue costs, net of tax	(6,559)	–	–	–	(6,559)
Share-based payments	–	16,424	–	–	16,424
Capitalized share-based payments	–	16,424	–	–	16,424
Options exercised *(notes 9 and 11)*	24,790	(6,750)	–	–	18,040
Income attributable to common shareholders	–	–	16,962	–	16,962
Loss attributable to non-controlling interest	–	–	–	(808)	(808)
Balance at June 30, 2015	**$ 4,113,377**	**$ 150,423**	**$ 701,828**	**$ 29,198**	**$ 4,994,826**

(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	282,012	–	–	–	282,012
Issue of common shares on acquisitions	177,359	–	–	–	177,359
Share issue costs, net of tax	(9,459)	–	–	–	(9,459)
Share-based payments	–	13,507	–	–	13,507
Capitalized share-based payments	–	13,507	–	–	13,507
Options exercised	59,087	(16,011)	–	–	43,076
Income attributable to common shareholders	–	–	156,305	–	156,305
Income attributable to non-controlling interest	–	–	–	1,370	1,370
Balance at June 30, 2014	$ 3,571,431	$ 102,721	$ 352,299	$ 19,247	$ 4,045,698

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s) (unaudited)	**2015**	**2014**	**2015**	**2014**
Cash provided by (used in):				
Operations:				
Net income (loss)	**$ (5,197)**	$ 66,437	**$ 16,962**	$ 156,305
Items not involving cash:				
Depletion, depreciation and amortization	**177,645**	127,102	**345,333**	242,637
Accretion	**699**	623	**1,250**	1,161
Share-based payments	**8,120**	6,806	**16,424**	13,507
Deferred taxes	**40,927**	25,172	**51,263**	58,130
Unrealized loss on financial instruments	**16,251**	4,911	**16,678**	11,177
(Gain) on divestitures	**(35,053)**	(201)	**(35,232)**	(201)
Non-controlling interest	**(116)**	702	**(808)**	1,370
Decommissioning expenditures	**(247)**	(10)	**(1,101)**	43
Changes in non-cash operating working capital	**(52,001)**	214	**(65,371)**	(2,983)
Total cash flow from operating activities	**151,028**	231,756	**345,398**	481,146
Financing:				
Issue of common shares	**203,840**	102,394	**245,466**	340,670
Share issue costs	**(8,182)**	(3,391)	**(9,383)**	(12,645)
Increase in bank debt	**38,359**	103,946	**278,593**	84,127
Total cash flow from financing activities	**234,017**	202,949	**514,676**	412,152
Investing:				
Exploration and evaluation	**(24,974)**	(27,000)	**(68,049)**	(90,492)
Property, plant and equipment	**(179,784)**	(266,641)	**(630,095)**	(668,960)
Property acquisitions	**(85,871)**	(4,192)	**(90,386)**	(4,777)
Proceeds from divestitures	–	100	**519**	100
Net repayment of long-term obligation	**(866)**	(734)	**(1,731)**	(1,599)
Changes in non-cash investing working capital	**(201,171)**	(136,238)	**(333,384)**	(127,570)
Total cash flow used in investing activities	**(492,666)**	(434,705)	**(1,123,126)**	(893,298)
Changes in cash	**(107,621)**	–	**(263,052)**	–
Cash, beginning of period	**107,621**	–	**263,052**	–
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 JUNE 30, 2015 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014

(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 unaudited 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, 2014.

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, 2014.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 5, 2015.

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 and/or disclosure 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.

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.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short term nature. Bank debt bears interest at a floating market rate with applicable variable margins, and accordingly the fair market value approximates the carrying amount. The Company's financial instruments have been assessed on the fair value hierarchy described above and classified as Level 2.

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 consolidated financial statements for the year ended December 31, 2014.

As at June 30, 2015, 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 (loss) and comprehensive income (loss).

The Company has the following financial derivative contracts in place as at June 30, 2015 [1]:

(000s)		2015	2016	2017	2018	2019	Fair Value
Gas							
Financial swaps	*mmbtu/d*	59,946	30,000	–	–	–	$ 3,594
	USD$/mmbtu	$ 3.15	$ 3.24				
Nymex call options (writer)	*mmbtu/d*	–	–	20,000	20,000	–	$ (1,852)
	USD$/mmbtu			$ 5.00	$ 5.00		
Oil							
Financial swaps	*bbls/d*	2,800	2,500	–	–	–	$ 18,853
	USD$/bbl	$ 73.96	$ 69.13				
Costless collars	*bbls/d*	1,300	–	–	–	–	$ 7,499
	USD$/bbl	$81.15 – $94.29					
Financial call swaptions [2]	*bbls/d*	900	1,400	2,500	–	–	$ (7,701)
	USD$/bbl	$ 63.07	$ 82.25	$ 69.13			
Total Fair Value							$ 20,393

(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 June 30, 2015.

The Company has the following interest rate swap arrangements:

(000s) Term	Type (Floating to Fixed)	Amount	Company Fixed Interest Rate	Counter Party Floating Rate Index	Fair Value
Nov 28, 2014 – Nov 28, 2019	Swap	$ 250,000	2.065%	Floating Rate	$ (9,700)

The following table provides a summary of the unrealized gains (losses) on financial instruments for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s)	**2015**	**2014**	**2015**	**2014**
Unrealized loss on financial instruments – commodity contracts	**$ (17,685)**	$ (5,058)	**$ (11,141)**	$ (10,773)
Unrealized gain (loss) on financial instruments – interest rate swaps	**1,434**	147	**(5,537)**	(404)
Total unrealized (loss) on financial instruments	**$ (16,251)**	$ (4,911)	**$ (16,678)**	$ (11,177)

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 June 30, 2015 [1][6]:

		2015	2016	2017	2018	2019
Gas						
Fixed price – AECO	*mcf/d*	200,851	23,278	–	–	–
	CAD$/mcf	$ 3.69	$ 3.34	–	–	–
Fixed price – AECO (USD)	*mmbtu/d*	28,370	3,730	–	–	–
	USD$/mmbtu	$ 2.47	$ 2.72	–	–	–
Fixed price – Stn 2	*mcf/d*	25,303	–	–	–	–
	CAD$/mcf	$ 3.39	–	–	–	–
Basis differentials [2][3]	*mmbtu/d*	11,630	48,770	22,500	22,500	22,500
	USD$/mmbtu	$ (0.38)	$ (0.48)	$ (0.46)	$ (0.46)	$ (0.46)
Basis differentials – Stn 2 [4]	*mcf/d*	–	52,151	37,928	37,928	9,482
	CAD$/mcf	–	$ (0.33)	$ (0.29)	$ (0.29)	$ (0.26)
AECO Monthly Calls / Call Swaptions [5]	*mcf/d*	67,519	134,475	66,375	42,669	–
	CAD$/mcf	$ 3.96	$ 4.34	$ 4.76	$ 4.80	–
Oil						
Fixed Price	*bbls/d*	1,026	–	–	–	–
	USD$/bbl	$ 55.38	–	–	–	–

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

(2) Tourmaline also has 22.5 mmcf/d of Nymex-AECO basis differentials at $(0.46) from 2020-2022.

(3) Tourmaline also has 10,000 mmbtu/d SoCal – AECO basis differential at $(0.73) from November 2013 to October 2016.

(4) Station 2 - AECO basis differential. Tourmaline also has 9,482 mcf/d of Stn 2. Basis differentials at $(0.26) for 2020-2021.

(5) These are European swaptions whereby the Company provides the option to extend a gas swap into the period subsequent to the call date or increase the volumes under contract.

(6) Tourmaline also has entered into deals to sell 50,000 mmbtu/d at Chicago GDD pricing less transportation costs from April 2015 to October 2020 and 20,000 mmbtu/d at Ventura GDD pricing less transportation costs from April 2015 to October 2020.

The Company has entered into the following physical contracts subsequent to June 30, 2015[1]:

Type of Contract	Quantity	Time Period	Contract Price
Fixed Price – AECO	10,000 GJs/d	January 2016 – December 2016	CAD $3.10/GJ
Call Swaption [1]	10,000 GJs/d	January 2017 – December 2017	CAD $3.25/GJ

(1) One time option held by the counterparty to call on December 30, 2016

4. EXPLORATION AND EVALUATION ASSETS

(000s)	
As at December 31, 2014	$ 635,633
Capital expenditures	68,049
Transfers to property, plant and equipment *(note 5)*	(38,591)
Acquisitions	62,611
Divestitures	(21,481)
Expired mineral leases	(36,434)
As at June 30, 2015	**$ 669,787**

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.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At June 30, 2015 and December 31, 2014, the Company determined that no indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

5. PROPERTY, PLANT AND EQUIPMENT

Cost

(000s)	
As at December 31, 2014	$ 6,733,617
Capital expenditures	646,519
Transfers from exploration and evaluation *(note 4)*	38,591
Change in decommissioning liabilities *(note 6)*	4,536
Acquisitions	357,749
Divestitures	(12,376)
As at June 30, 2015	**$ 7,768,636**

Accumulated Depletion, Depreciation and Amortization

(000s)	
As at December 31, 2014	$ 1,267,344
Depletion, depreciation and amortization	308,899
Divestitures	(1,930)
As at June 30, 2015	**$ 1,574,313**

Net Book Value

(000s)	
As at December 31, 2014	$ 5,466,273
As at June 30, 2015	**$ 6,194,323**

Future development costs of $4,948.2 million were included in the depletion calculation at June 30, 2015 (December 31, 2014 – $4,610.0 million).

Capitalization of G&A and Share-Based Payments

A total of $11.3 million in G&A expenditures have been capitalized and included in E&E and PP&E assets at June 30, 2015 (December 31, 2014 – $19.3 million). Also included in E&E and PP&E are non-cash share-based payments of $16.4 million (December 31, 2014 - $28.8 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed on a CGU if the Company identifies an indicator of impairment. At June 30, 2015, the Company determined that no indicators of impairment existed on any of the Company's CGUs; therefore an impairment test was not performed.

For the year ended December 31, 2014, the Company identified indicators of impairment on two of its CGUs based on the decline in commodity prices and performed impairment tests accordingly. The Company determined that there was no impairment to PP&E at December 31, 2014.

Business Combination

On April 1, 2015, the Company acquired Perpetual Energy Inc.'s ("Perpetual") interests in the West Edson area of the Alberta Deep Basin with the issuance of 6,750,000 Tourmaline shares at a price of $38.32 per share for total consideration of $258.7 million. The interests include Perpetual's land interests, production, reserves and facilities that were jointly-owned with Tourmaline.

Results from operations 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)	**Perpetual Energy Inc.**
Fair value of net assets acquired:	
Property, plant and equipment	$ 226,943
Exploration and evaluation	34,160
Decommissioning obligations	(2,443)
Total	$ 258,660
Consideration:	
Common shares issued	$ 258,660

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 (loss) and comprehensive income (loss).

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

Acquisition of Oil and Natural Gas Properties

For the six months ended June 30, 2015, the Company completed property acquisitions including swaps for total cash consideration of $90.4 million (December 31, 2014 - $33.0 million) and an additional $325.0 million in non-cash consideration (December 31, 2014 - $2.2 million) of which $258.7 million related to the Perpetual transaction. The Company also assumed $4.9 million in decommissioning liabilities (December 31, 2014 - $4.9 million).

Disposition of Oil and Natural Gas Properties

On December 23, 2014, the Company completed the sale of a 25% working interest in its Peace River High complex for cash consideration of $500.0 million (before customary adjustments) to Canadian Non-Operated Resources Corp. ("CNOR"). The net book value of oil and natural gas properties disposed was $236.5 million and the gain on disposition was $266.2 million. The Company will continue to be the operator of all jointly-owned assets. Under the terms of the arrangement, the Company has committed to spend $400.0 million gross ($300.0 million net) per year over the next five years. The committed capital expenditures can be deferred to future periods in the event of an economic downturn, and as agreed upon by both parties. As part of the capital commitment, the Company also agreed to carry CNOR for the first $87.1 million spent (CNOR share) on specified capital projects. At June 30, 2015, approximately $1.5 million remained to be spent on these specified projects.

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 $168.7 million (December 31, 2014 – $157.5 million), with some abandonments expected to commence in 2021. A risk-free rate of 2.31% (December 31, 2014 – 2.36%) and an inflation rate of 1.8% (December 31, 2014 – 2.0%) were used to calculate the decommissioning obligations.

(000s)	**As at June 30, 2015**	As at December 31, 2014
Balance, beginning of period	**$ 114,038**	$ 76,037
Obligation incurred	**5,934**	14,257
Obligation incurred on corporate acquisitions	–	8,487
Obligation incurred on property acquisitions	**4,944**	4,881
Obligation divested	**(270)**	(5,676)
Obligation settled	**(1,101)**	(413)
Accretion expense	**1,250**	2,351
Change in future estimated cash outlays	**(1,398)**	14,114
Balance, end of period	**$ 123,397**	$ 114,038

7. BANK DEBT

The Company has a covenant-based, unsecured, bank credit facility in place with a syndicate of bankers. In June 2015, the Company increased the facility amount from $1,550.0 to $1,800.0 million. The term was also increased from three to four years, resulting in an initial maturity of June 2019. The credit facility also includes an expansion feature ("accordion") which allows the Company, upon approval from the lenders, to increase the facility amount by up to $500.0 million by adding a new financial institution or by increasing the commitment of its existing lenders. With the exception of the increase in the facility amount, length of term and the addition of the accordion feature, the debt was renewed under the same terms and conditions as those outlined in note 9 of the Company's consolidated financial statements for the year ended December 31, 2014. The Company also has a $50.0 million operating revolver, resulting in total bank credit facility capacity of $1,850.0 million. The maturity date may, at the request of the Company and with consent of the lenders, be extended on an annual basis. The facility can be drawn in either Canadian or U.S. funds and bears interest at the bank's prime lending rate, banker's acceptance rates or LIBOR (for U.S. borrowings), plus applicable margins, which range from 0.50% to 3.15% depending on the type of borrowing and the Company's senior debt to adjusted EBITDA ratio.

The Company also has a $250.0 million five-year term loan with a Canadian Chartered Bank, the details of which are described in note 9 of the Company's consolidated financial statements for the year ended December 31, 2014.

As at June 30, 2015, the Company had $248.7 million in long-term debt outstanding and $948.7 million drawn against the bank credit facility for total bank debt of $1,197.4 million (net of prepaid interest and debt issue costs) (December 31, 2014 - $918.9 million). In addition, Tourmaline has outstanding letters of credit of $6.6 million (December 31, 2014 - $2.4 million), which reduce the credit available on the facility. The effective interest rate for the six months ended June 30, 2015 was 2.72% (six months ended June 30, 2014 – 3.02%). As at June 30, 2015, 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 June 30, 2015**	As at December 31, 2014
Balance, beginning of period	**$ 30,006**	$ 17,877
Share of subsidiary's net income (loss) for the period	**(808)**	12,129
Balance, end of period	**$ 29,198**	$ 30,006

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

(000s) except share amounts	Number of Shares	As at June 30, 2015 Amount	Number of Shares	As at December 31, 2014 Amount
Balance, beginning of period	**203,162,112**	**$ 3,615,378**	189,804,864	$ 3,062,432
For cash on public offering of common shares (1)(5)	**4,947,500**	**195,425**	4,615,198	219,222
For cash on public offering of flow-through common shares (2)(3)(4)	**640,000**	**25,683**	1,430,053	74,939
Issued on corporate and property acquisitions (*note 5*)	**6,750,000**	**258,660**	3,228,234	177,359
For cash on exercise of stock options	**878,303**	**18,040**	4,083,763	66,473
Contributed surplus on exercise of stock options	**–**	**6,750**	–	24,925
Share issue costs	**–**	**(9,383)**	–	(13,332)
Tax effect of share issue costs	**–**	**2,824**	–	3,360
Balance, end of period	**216,377,915**	**$ 4,113,377**	203,162,112	$ 3,615,378

(1) 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.

(2) 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 122,000 flow-through common shares were purchased by insiders. As at December 31, 2014, the Company had spent the full committed amount. The expenditures were renounced to investors in February 2015 with an effective renunciation date of December 31, 2014.

(3) On November 28, 2014, the Company issued 0.28 million flow-through shares at a price of $57.00 per share for total gross proceeds of $16.0 million. The implied premium on flow-through common shares was determined to be $3.8 million or $13.62 per share. As at June 30, 2015, the Company had spent the full committed amount. The expenditures were renounced to investors in February 2015 with an effective renunciation date of December 31, 2014.

(4) On March 12, 2015, the Company issued 0.64 million flow-through shares at a price of $50.00 per share for total gross proceeds of $32.0 million. The implied premium on flow-through common shares was determined to be $6.3 million or $9.87 per share. As at June 30, 2015, the Company is committed to spend the remaining $29.2 million on qualified exploration expenditures by December 31, 2015. The expenditures will be renounced to investors with an effective renunciation date of December 31, 2016.

(5) On June 23, 2015, the Company issued 4.948 million shares at a price of $39.50 for total gross proceeds of $195.4 million. A total of 60,000 common shares were purchased by insiders.

10. EARNINGS PER SHARE

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

	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Net earnings (loss) for the period *(000s)*	**$ (5,197)**	$ 66,437	**$ 16,962**	$ 156,305
Weighted average number of common shares – basic	**211,693,769**	199,335,760	**207,649,597**	196,081,818
Earnings (loss) per share – basic	**$ (0.02)**	$ 0.33	**$ 0.08**	$ 0.80

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

	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Net earnings (loss) for the period *(000s)*	**$ (5,197)**	$ 66,437	**$ 16,962**	$ 156,305
Weighted average number of common shares – diluted (1)	**211,693,769**	204,681,038	**209,560,883**	200,906,366
Earnings (loss) per share – fully diluted	**$ (0.02)**	$ 0.32	**$ 0.08**	$ 0.78

(1) For the three months ended June 30, 2015, the weighted average number of common shares – diluted would be 213,708,478 excluding the anti-dilutive impact.

There were 17,013,364 and 10,602,666 options excluded from the weighted-average share calculations for the three and six month periods ended June 30, 2015 because they were anti-dilutive (three and six months ended June 30, 2014 – 1,366,000 options, respectively).

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 21,637,792 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.

	Six Months Ended June 30,			
	2015		2014	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Stock options outstanding, beginning of period	**17,046,500**	**$ 36.44**	16,028,651	$ 27.95
Granted	**878,500**	**39.22**	1,366,000	52.90
Exercised	**(878,303)**	**20.54**	(2,632,828)	16.36
Forfeited	**(33,333)**	**39.17**	(48,889)	36.68
Stock options outstanding, end of period	**17,013,364**	**$ 37.40**	14,712,934	$ 32.31

The weighted average trading price of the Company's common shares was $39.05 during the six months ended June 30, 2015 (six months ended June 30, 2014 – $51.92).

The following table summarizes stock options outstanding and exercisable at June 30, 2015:

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	985,950	0.19	18.34	985,950	18.34
$20.68 - $29.93	3,193,750	1.43	26.96	3,168,751	26.94
$30.76 - $39.57	3,647,164	2.96	34.48	1,822,442	32.63
$40.18 - $48.99	7,526,500	3.70	42.12	1,949,000	41.34
$51.47 - $56.76	1,660,000	4.03	53.85	291,667	54.93
	17,013,364	2.94	37.40	8,217,810	31.58

The fair value of options granted during the six-month period ended June 30, 2015 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

	June 30,	
	2015	**2014**
Fair value of options granted (weighted average)	**$ 11.49**	$ 18.60
Risk-free interest rate	**2.31%**	2.91%
Estimated hold period prior to exercise	**4 years**	4 years
Expected volatility	**33%**	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	$ 4,762	$ 11,033	$ 9,415	$ –	$ 25,210
Firm transportation and processing agreements	129,438	394,743	280,076	588,312	1,392,569
Capital commitments (1)	315,066	910,794	150,000	–	1,375,860
Flow-through share commitments	29,217	–	–	–	29,217
Revolving credit facility (2)	–	–	1,061,312	–	1,061,312
Term debt (3)	11,131	22,263	265,999	–	299,393
	$ 489,614	$ 1,338,833	$1,766,802	$ 588,312	$ 4,183,561

(1) Includes drilling commitments, and capital spending commitments under the joint arrangement in the Spirit River complex of $301.5 million in year 1 and $300.0 million per year thereafter until 2019. The capital spending commitment can be deferred to future periods in the event of an economic downturn, and as agreed upon by both parties.

(2) Includes interest expense at an annual rate of 2.71% being the rate applicable to outstanding debt on the credit facility at June 30, 2015.

(3) Includes interest expense at an annual rate of 4.47% being the fixed rate on the term debt (including the interest rate swap) at June 30, 2015.

13. DEFERRED INCOME TAX

Effective July 1, 2015, the Alberta provincial corporate tax rate increased from 10% to 12%. As a result, deferred income tax expense and deferred income tax liability increased by $29.5 million for the three and six month periods ended June 30, 2015.

14. SUBSEQUENT EVENTS

On June 29, 2015, the Company entered into an agreement to acquire 100% of the common shares of Mapan Energy Ltd. (“Mapan”) with the issuance of 2.73 million Tourmaline common shares at a price of $38.82 per Tourmaline share based on the five-day volume-weighted average price ending June 26, 2015, for consideration of approximately $106.0 million. The completion of the arrangement, which is anticipated to occur in August 2015, is subject to, among other things, the approval of at least two-thirds of the votes cast by Mapan shareholders voting at an annual and special meeting to be held in August 2015.