Tourmaline Oil Pitch

Presented by:
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Tourmaline Oil

“Natural gas is the future. It is here.”

Investment Analyst: *Emily Chen*

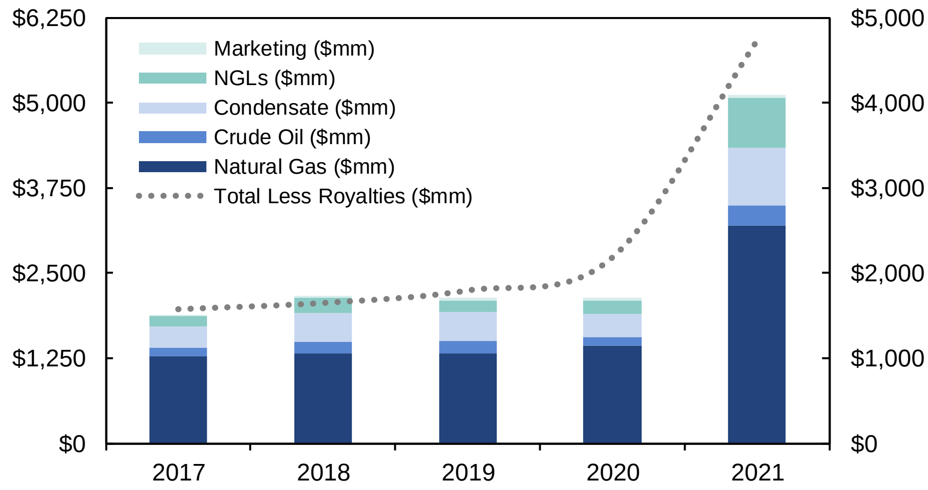
Company Overview

TOURMALINE OIL CORP.

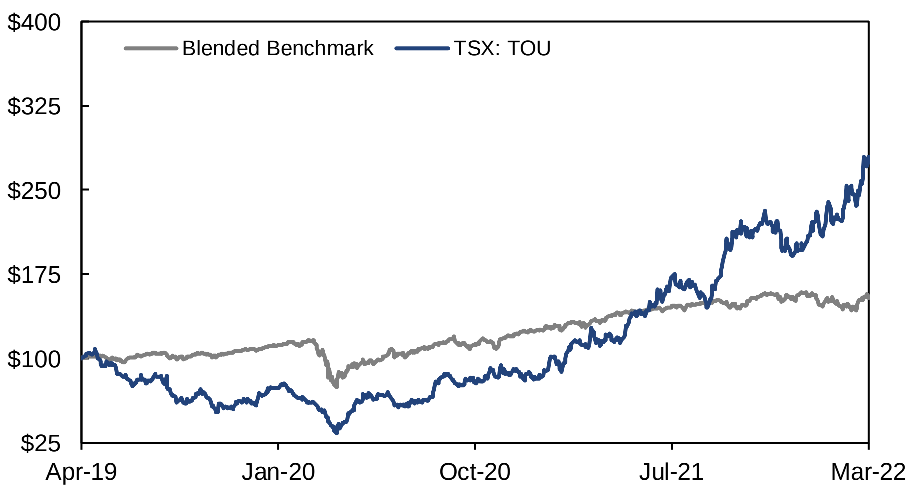
Business Description

- Tourmaline Oil (TSX: TOU) is a Canadian senior oil and natural gas company focused on the exploration, development, production, and acquisition of energy assets in the Western Canadian Sedimentary Basin (WCSB)
- Founded in 2008, TOU has grown to become Canada's largest natural gas and NGL producer, with operations in the Alberta Deep Basin, Northeast British Columbia (NEBC) Montney, and Peace River Triassic Oil Complex
- In 2021, TOU averaged production of 441,115 boe/d, which represents a 42% increase from 2020 production of 310,598 boe/d
- The Company's production portfolio is heavily gas-weighted, with the following mix breakdown by production volume for 2021: natural gas (78%), crude oil (2%), condensate (6%), and NGLs (14%)
- Collectively, TOU possesses 4.2B boe proved plus probable reserves and 3.3mm net acres (of which the majority is in Alberta)

LHS Segment Revenue vs RHS Total Revenue Less Royalties



Historical Trading Performance vs Blended Benchmark (Indexed to $100)



Key Metrics [1]

Market Cap	**US$19.1B**
Net Debt	**US$0.9B**
Enterprise Value	**US$20.0B**
LTM Dividend Yield	**3.2%**

Source: Company Filings, S&P Capital IQ
(1) As of March 31, 2022

Key Operations

Alberta Deep Basin

- The Alberta Deep Basin is a natural gas play containing 15 liquids-rich sand reservoirs, with TOU targeting sites in which there is no mobile formation water
- TOU applies a horizontal drilling technique, which is conducive to the Cardium, Viking, Wilrich, Falher, and Notikewin formations
- Currently, the Company has drilled ~1,000 gross natural gas wells in the area, with another 90 planned to be completed in 2022
- Additionally, TOU has ownership interests in 15 natural gas plants in the area, with eight being fully owned and operated by the Company
  - Collectively, these plants have a processing capability of 1.5 Bcf/d

Estimated Gross Horizontal Drilling Locations	*13,447*
2021 Production	*250 mboe/d*
2P Reserves	*1,490 mmboe*

NEBC Montney

- The NEBC Montney area offers liquids-rich natural gas from the thick, high-pressured Triassic Montney formation
- Exploration of the area has transitioned from the southeast portion to the unconventional reservoirs found in the Peace River Arch of Alberta and NEBC
  - These reservoirs were made accessible through technological developments (ie. drilling of horizontal multi-stage fracture stimulation wells)
- TOU's current position in the area was primarily secured through acquisitions between 2009 and 2021 (ie. Black Swan, Paramount Birch & Saguaro assets)
- The Company plans to drill another 150 gross wells in 2022 (730 currently)

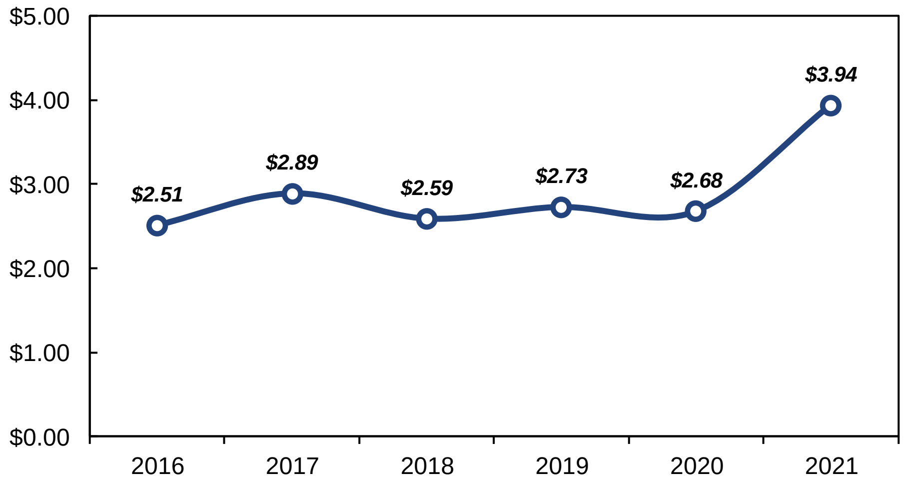
Estimated Gross Horizontal Drilling Locations	*6,820*
2021 Production	*1,060 mmcf/d gas*
2P Reserves	*2,501 mmboe*

Peace River High Triassic Oil Complex

- The Peace River High area consists of TOU's production complex at Spirit Mulligan-Earring and Wapiti
- Both vertical and horizontal drilling prospects are available in the Charlie Lake, Montney, and Wapiti Cardium formations
- As of FY2021, 370 horizontal oil wells have been drilled, with an additional 25 planned in 2022

Estimated Gross Horizontal Drilling Locations	*2,079*
2021 Production	*25 mboe/d*
2P Reserves	*252 mmboe*

TOU's Natural Gas Realized Pricing



Source: Company Filings, Street Research

Industry Overview

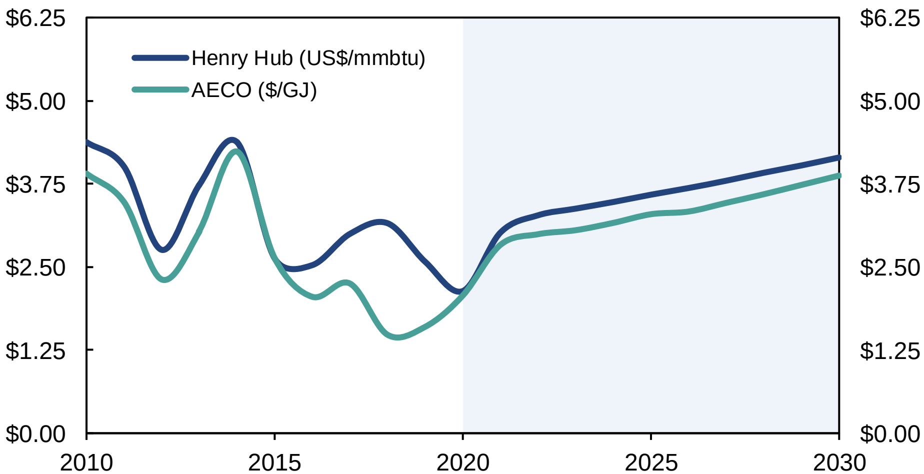
Industry Description and Competitive Landscape

- Oil and gas is a critical component of the Canadian economy, comprising ~5% of GDP for Canada since 2000 (~21% for Alberta)
- Natural gas prices are set according to regional supply and demand, with AECO being the leading price benchmark for natural gas in Canada
- In recent weeks, natural gas prices have been pushed up due to reduced supply (ie. Russia's invasion of Ukraine leading to sanctions on their production) and increased demand (ie. economic reopening as COVID-19 impacts subside)
- The U.S. Energy Information Administration expects the Henry Hub price to average $5.68/mmbtu in Q2 2022 before dropping to $4.01/mmbtu in 2023 as storage levels are forecasted to increase
- In Alberta, gas producers are likely to continue focusing on developing productive and liquids-rich plays to increase profitability
- Large Canadian natural gas producers include TOU, Canadian Natural Resources (NYSE: CNQ), Arc Resources (TSX: ARX), and Ovintiv (TSX: OVV)

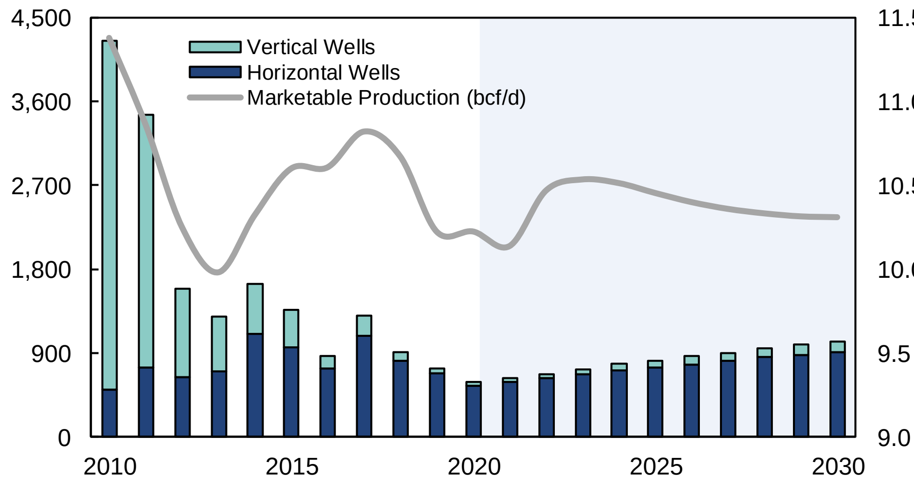
Key Themes

- ***Continued Russia–Ukraine Crisis***
- ***Increasing LNG demand and China imports***
- ***Cold weather in the U.S. increasing gas consumption***
- ***Emergence of new COVID-19 challenges***
- ***Growing ESG focus on emissions reduction***

LHS Henry Hub vs RHS AECO Pricing



LHS New Producing Wells vs RHS Production



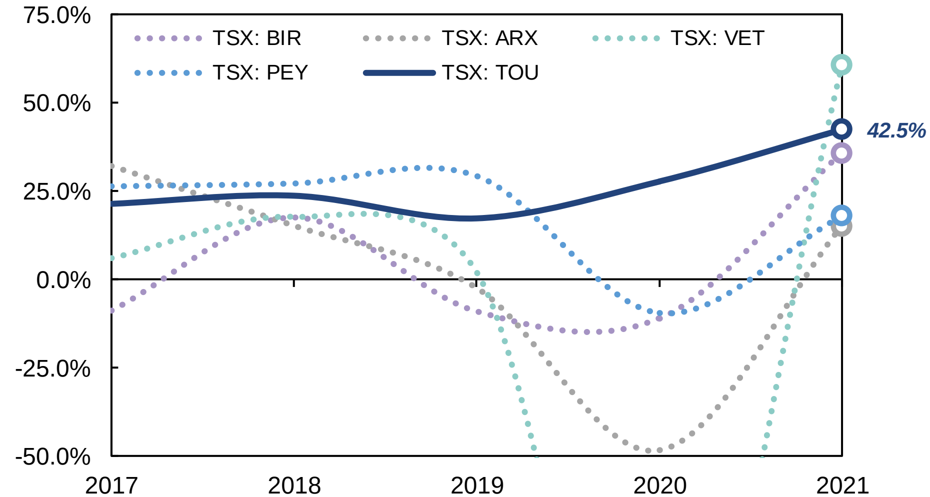
Source: Alberta Energy Regulator, Company Filings, Energy Information Administration, Street Research

Competitive Advantage

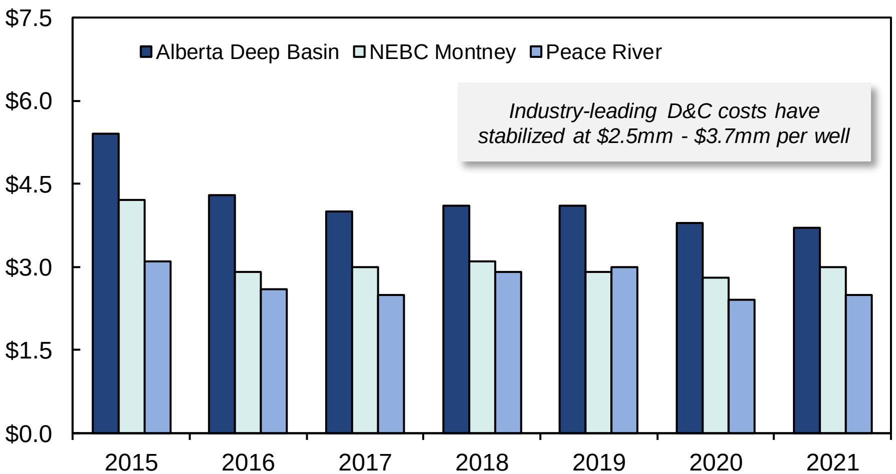
Competitive Overview

- TOU's scale and significant involvement in premium Canadian gas plays positions the Company well in the cyclical energy industry
- In relation to market share, TOU represents ~13% of current WCSB receipts and ~15% of Canadian gas rig counts, resulting in economies of scale
  - Management expects TOU to be profitable at gas prices above US$1.50/mcf
- Furthermore, TOU continues to grow its reserves, opting for large land positions and infrastructure control that can be optimized through improved cost structures and investment in innovative technologies
- The Company also leverages its midstream assets (25 working interest gas plants) to preserve capital, rather than outsourcing to third party operators
- As TOU's Alberta Deep Basin and Peace River sites transition to maintenance development, the Company has the opportunity to focus on NEBC Montney for future drilling efforts (already 55% of 2021 wells drilled)

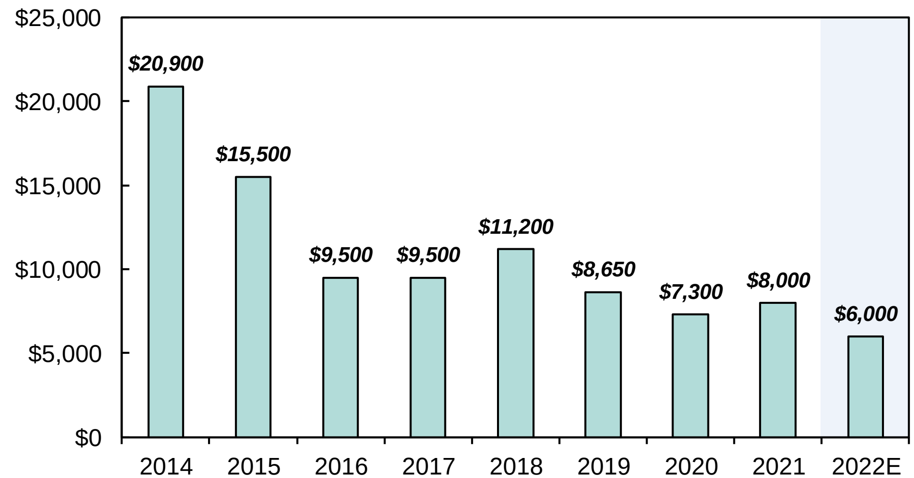
Net Income Margin vs Peers



Drilling and Completion Costs per Well ($mm)



Improving Capital Efficiency ($/boe/d)



Source: Company Filings, S&P Capital IQ

Business Strategy and Growth Runway

Growth Strategy

Capital Efficiencies
Low-cost producer in WCSB
Continued reduction initiatives

Aggressive E&D Program
Organic growth base 3% - 5%
Bolt-on accretive acquisitions

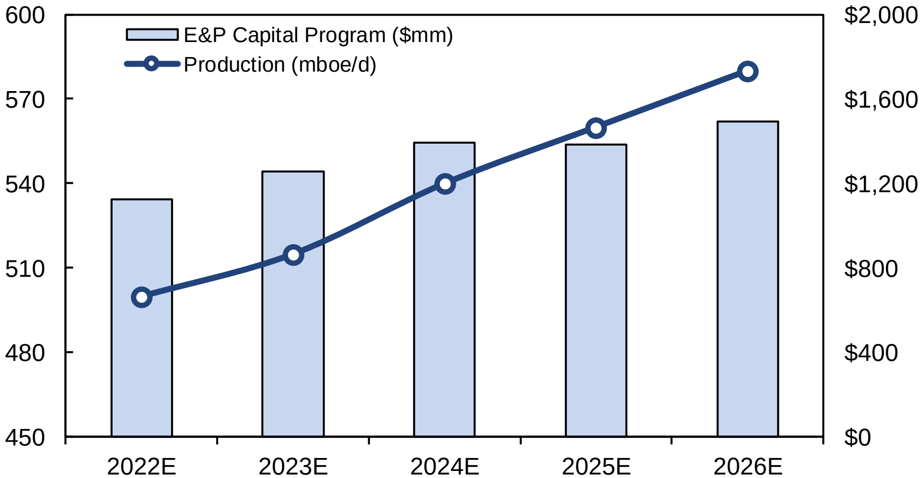
Human Capital Strategy
Small and technical staff
Management leadership

TOU aims to increase ***supply ownership*** *within the energy industry while recognizing growing* ***economies of scale*** *from margin improvements to* ***enhance overall returns****.*

TOU Acquisition History

Date	Target	Price ($mm)	Area	Production (boe/d)
07/15/2021	**Black Swan**	**$869.5**	**Montney**	**50,000**
07/15/2021	Paramount (property)	$85.6	Montney	2,400
04/15/2021	Saguaro (property)	$205.0	Montney	9,000
12/18/2020	**Jupiter**	**$418.9**	**Deep Basin**	**67,000**
11/02/2020	Modern	$99.3	Deep Basin	9,000
04/21/2020	Chinook	$15.1	Montney	3,500
04/01/2020	East Edson (property)	$35.0	Deep Basin	3,200
02/14/2020	Polar Star	$12.0	Montney	3,200

LHS Planned Production vs RHS E&P Planned E&P Capital Program



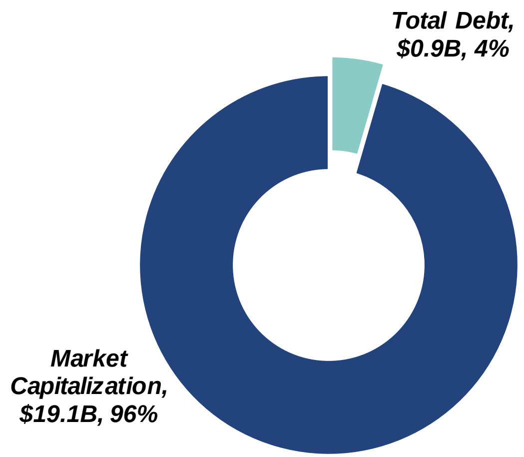
Growth Execution

- Management plans to continue development of NEBC Montney as TOU's consolidation strategy has been completed for the area
- The Company's Sundown Complex in the Montney area is expected to be expanded to 250 mmcf/d by 2026 (compared to 120 mmcf/d as of 2021)
- In July 2021, TOU singed a long-term supply agreement with Cheniere Energy (largest U.S. LNG exporter) for delivery to Cheniere's terminal in South Texas
  - Provides exposure to Japan Korea Marker (JKM) pricing starting in 2023
- Deal terms includes supply volume of 140,000 mmbtu/d for 15 years
- Additionally, TOU plans to achieve methodical growth for its liquids portfolio at a steady CAGR of 4% over the next five years
- Specifically, the Company has completed Gundy Phase 2, which is expected to provide significant liquids growth of 15 mboe/d (compared to 97 mboe/d total liquids production in 2021)

Source: Company Filings, S&P Capital IQ, Street Research

Strong Balance Sheet

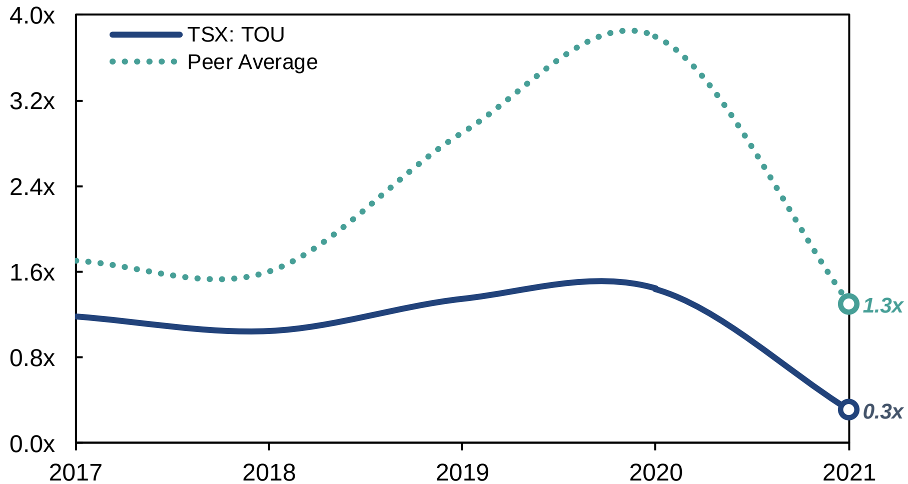
Capital Structure



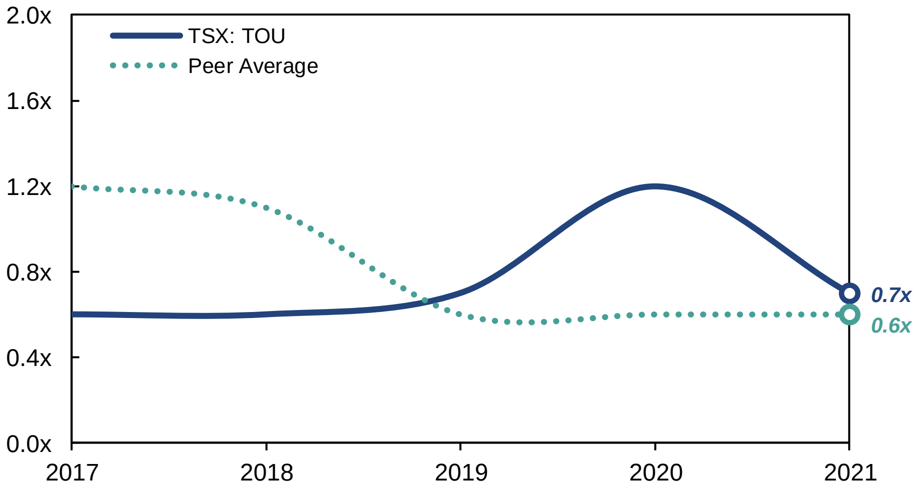
TOU Financial Health

- TOU possesses a strong balance sheet, evidenced through its 0.3x Net Debt/EBITDA compared to its peer group average of 1.3x
- The Company's current ratio of 0.7x has improved and is in-line with peers
- TOU also maintains access to a $2.55B covenant-based, unsecured, five-year revolving credit facility (which it is in compliance with)
  - As of FY2021, $421.5mm has been drawn from the facility
- Furthermore, TOU has a EBIT interest coverage ratio of 80.5x (3.9x in 2020), demonstrating the Company's ability to service its debt
- On July 19, 2021, DBRS upgraded TOU's credit rating to BBB (high) from BBB, citing the reduced business risk profile as a result of a deleveraging balance sheet, strong cash flow outlook, and successful completion of acquisitions
- TOU also has issued $448.0mm of senior unsecured notes (maturity date after 2028), leading to total debt of 869.6mm
- Overall, TOU aims to keep net debt within a target range of $1.0B - $1.2B

Net Debt/EBITDA vs Peers



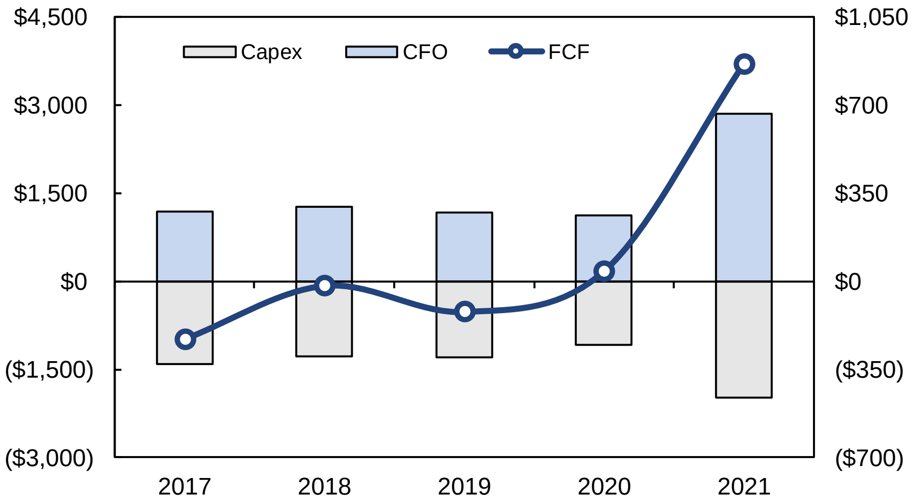
Current Ratio vs Peers



Source: Company Filings, S&P Capital IQ

Growing Free Cash Flow

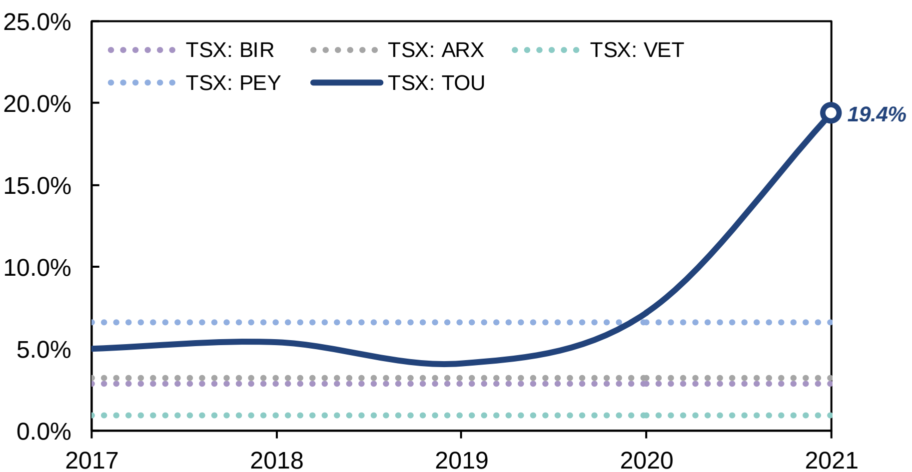
FCF Generation ($mm)



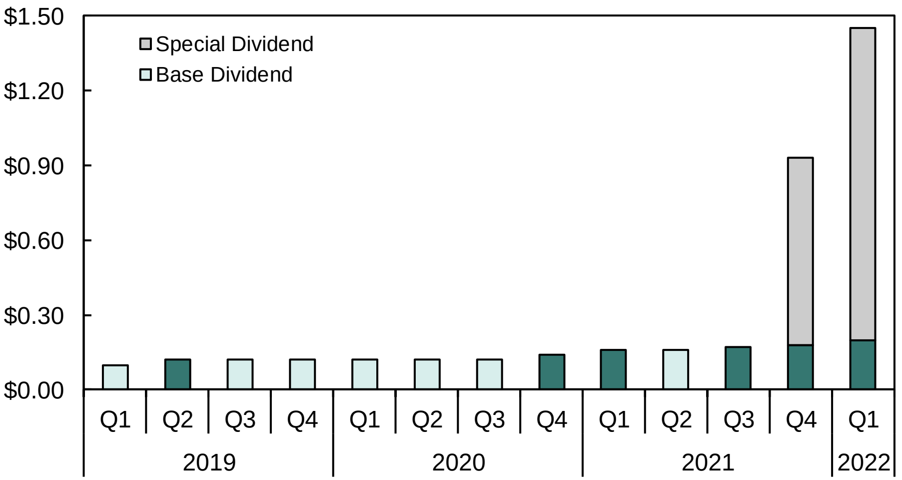
Commentary

- Historically, TOU has maintained capital discipline by balancing expenditures with its cash flow from operating activities
  - In FY2021, the Company generated $864mm in FCF due to favourable commodity pricing that elevated profitability
- Management expects to generate $2.9B of FCF in 2022 (equating to a forecasted 18% FCF yield during the year)
  - Over the next five years, cumulative FCF is targeted to reach $10.3B
- The Company's first priority for cash flow use is returning value to shareholders
  - Special dividends (such as the ones announced in Q4 2021 and Q1 2022) are TOU's preferred method of return
  - Other options include further base dividend growth and tactical buybacks
- TOU also plans to use cash flows for: (1) maintaining balance sheet health, (2) high return infrastructure investment opportunities, and (3) accretive M&A

ROE vs Peers



Annual Dividend Growth



Source: Company Filings, S&P Capital IQ

Quality Management and ESG

Commentary

- Michael Rose founded TOU in 2008 and has since demonstrated significant leadership in scaling the Company's operations
- Rose's previous experience with Duvernay (sold for $5.9B in 2008) is a strong testament to his management track record and energy industry expertise
  - TOU has been executing on a similar strategy to Duvernay
- The Company is also possesses strong insider ownership, indicating management's conviction in TOU's operations and overall strategy
- In 2020, 86.9% of CEO compensation was tied to performance-based incentives or option-based awards
  - Similarly, 70.7% of NEO compensation was linked to incentives
- TOU's Board of Directors consists of 10 members, 8 of which are independent, thus ensuring appropriate oversight of management
- Furthermore, TOU is industry-leading in regards to ESG performance

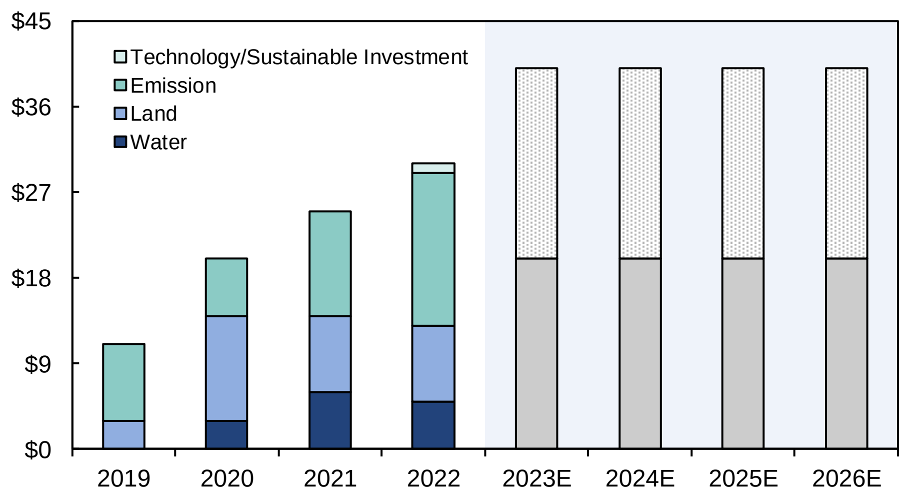
Management Team

Michael Rose (Chairman, President, and Chief Executive Officer)
- Rose possesses 38 years of experience in the oil and gas industry
- Previously held the equivalent position at Duvernay (2004 – 2008)
- Educated at Queen's University (Geology, Honours)

Brian Robinson (VP Finance and Chief Financial Officer)
- Robinson has 37 years of finance, accounting, and audit experience
- Previously worked with Rose at Duvernay and Berkley
- Educated at the University of Calgary (Commerce)

Allan Bush (Chief Operating Officer)
- Bush has held the COO position at TOU since 2014
- Previously worked as TOU's VP Production
- Educated at Montana College (Mining Engineering)

Environmental Performance Investment ($mm)



ESG Targets

*TOU currently has the **lowest GHG emissions intensity** among senior Canadian energy peers*

GHG Emissions	*Achieved a **35% reduction** in emissions intensity between 2013 and 2020*
Total Methane Emissions	*Achieved a **25% reduction** in methane emissions in 2020 (three years ahead of target)*
Other Initiatives	*Multi-well pad drilling, diesel displacement, in-line well testing, and water management*

Source: Company Filings, S&P Capital IQ, Street Research

Canadian Gas-Weighted Peers Comparison

TOURMALINE OIL CORP.

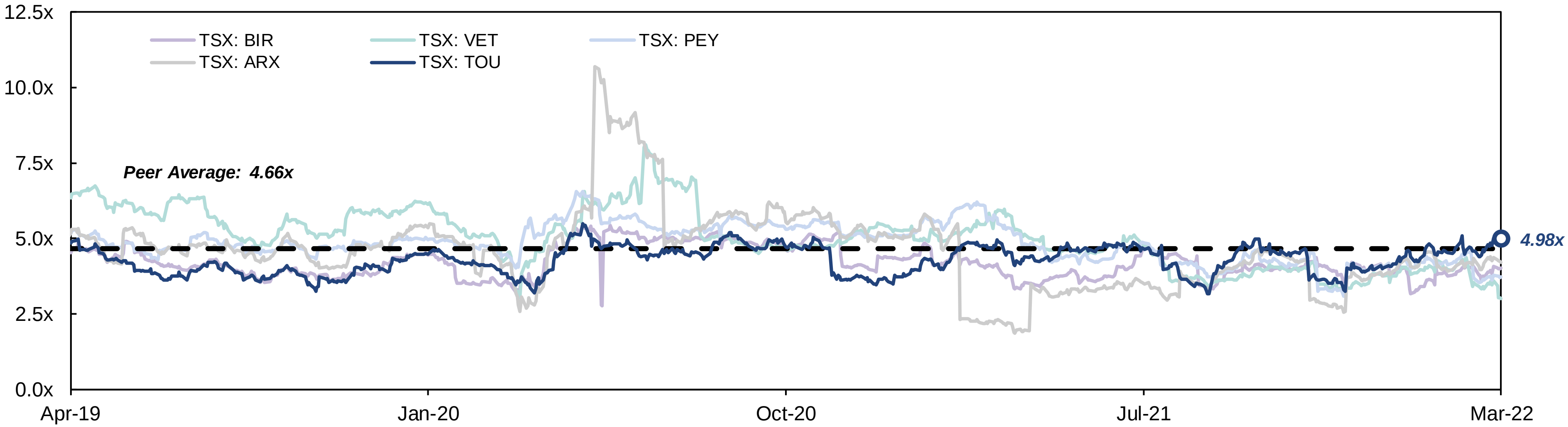
Key Comps Metrics

	TOURMALINE OIL CORP.	ARC	BIRCHCLIFF ENERGY	VERMILION ENERGY	PEYTO Exploration & Development
Market Cap (1)	$21.1B	$12.4B	$2.7mm	$4.5B	$2.4B
Revenue(2)	$3,778mm	$4,064mm	$695mm	$1,501mm	$666mm
5-yr Revenue CAGR	34.03%	39.38%	22.59%	17.98%	9.59%
5-yr EBITDA CAGR	34.47%	34.59%	31.38%	41.56%	(0.10%)
5-yr Beta	1.78	1.76	2.67	3.54	2.17
LTM Net Income Margin	42.51%	15.34%	35.89%	60.66%	18.12%
EV/DACF 2022E(3)	3.9x	3.1x	3.4x	3.5x	3.4x
NTM EV/EBITDA	5.42x	4.07x	4.55x	3.06x	4.11x
Dividend Yield	3.2%	1.6%	0.4%	0.9%	4.2%

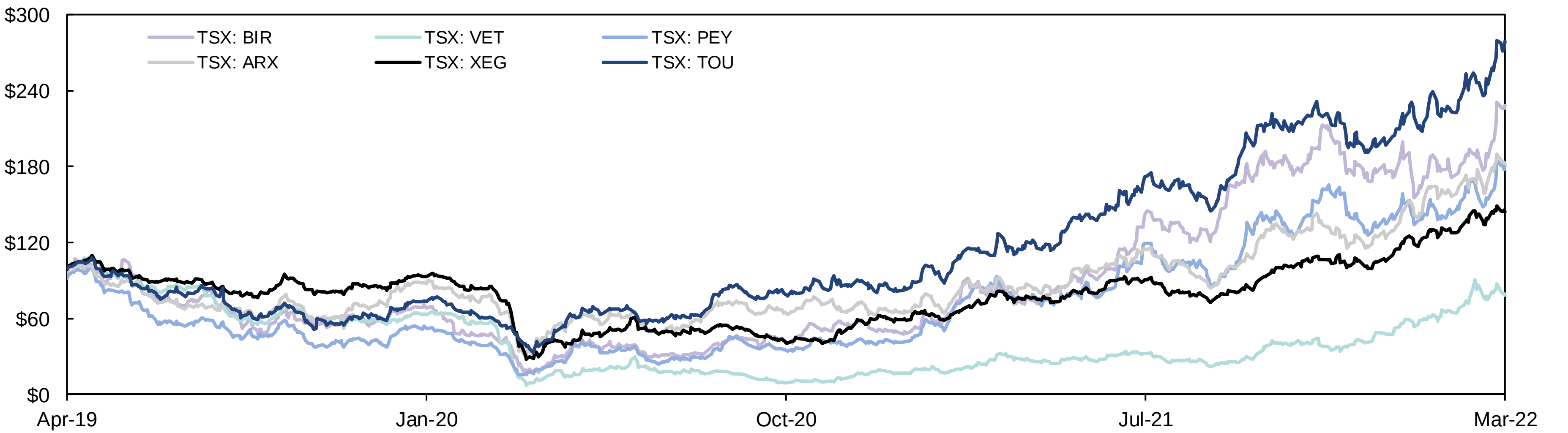
Source: Company Filings, S&P Capital IQ
(1) Market data as of April 15, 2022
(2) As of last annual filing
(3) Street research published July 29, 2021

Relative Valuation and Trading Performance

NTM EV/EBITDA vs Peers



Trading Performance vs Peers



Source: S&P Capital IQ

Valuation Methodology

TOURMALINE OIL CORP.

Valuation Overview

- A target price of $70 was derived for TOU using a 2P NAV model
  - Given the sudden spike in natural gas prices, a bull/bear/base case analysis was also applied to analyze the outcomes of a volatile pricing environment
- Forecasted prices for 2022 and 2023 are provided for each of TOU's key segments, with a 55/45 AECO/Henry Hub blended pricing exposure being applied to the natural gas segment
- Prices and production rates were determined using management guidance, independent assessments from Sproule, the Energy Information Administration, and Street Research
- Ultimately, the target price was confirmed using results from the base case scenario, which is in-line with Street estimates

Broker Target Prices and Key Risks

Scotiabank
March 8, 2022
TP: $87

Stifel
March 31, 2022
TP: $80

TD Securities
March 24, 2022
TP: $74

CIBC
April 10, 2022
TP: $65

- ***Sensitivity to natural gas pricing***
- ***Underwhelming results in E&P program***
- ***Loss of key members of management***
- ***Government challenges (ie. royalties)***
- ***Environmental regulation***
- ***M&A integration risk***

Pricing Scenarios and Valuation Sensitivity

	2022E	2023E
Oil ($/bbl)	$90.96	$81.57
Bull	*$101.96*	*$92.57*
Base	*$97.96*	*$88.57*
Bear	*$90.96*	*$81.57*
Natural Gas ($/mcf)	$5.40	$4.30
Bull	*$6.20*	*$5.00*
Base	*$6.00*	*$4.80*
Bear	*$5.40*	*$4.30*
NGL ($/bbl)	$34.45	$42.49
Bull	*$39.45*	*$47.49*
Base	*$37.45*	*$45.49*
Bear	*$34.45*	*$42.49*
Condensate ($/bbl)	$84.85	$78.53
Bull	*$95.85*	*$89.53*
Base	*$91.85*	*$85.53*
Bear	*$84.85*	*$78.53*

	Bear Case	Base Case	Bull Case
NPV of reserves	19,129,491,613.3	22,282,405,880.6	23,711,434,093.6
Acreage	1,030,256,903.1	1,030,256,903.1	1,030,256,903.1
Other assets			
Cash & Investments	0	0	0
Working Capital	688,672,243.0	688,672,243.0	688,672,243.0
Total Assets	20,848,420,759.5	24,001,335,026.7	25,430,363,239.7
Debt	869,574,000	869,574,000	869,574,000
NAV	19,978,846,759.5	23,131,761,026.7	24,560,789,239.7
Shares outstanding	332,298,621.0	332,298,621.0	332,298,621.0
NAV/share	$60.12	$69.61	$73.91

Source: Company Filings, Energy Information Administration, Sproule, Street Research

Investment Recommendation

Investment Recommendation

ACTION	BUY
CONVICTION	1
CURRENT PRICE	$62.97
TARGET PRICE	$70
IMPLIED RETURN	11.3%

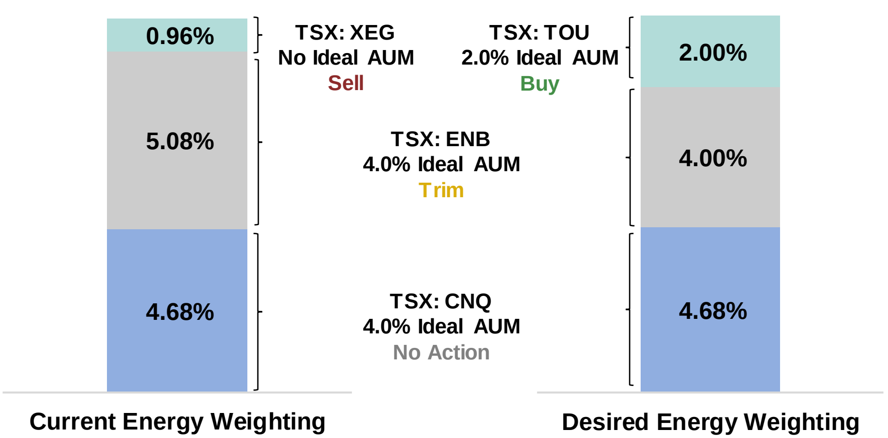
Mandate Fit

Strong Balance Sheet?	✓
Growing Free Cash Flow?	✓
Competitive Advantage?	✓
Quality Management?	✓
Attractive Valuation?	✓

Investment Thesis

The CPMT views TOU as an industry-leading operator within the Canadian natural gas industry. TOU's superior margins, accretive acquisition strategy, and disciplined management are all key factors to the Company's success. The Trust believes that TOU will continue to outperform its E&P peers as the Company continues growing its base exploration program and begins to realize the synergies and cost reduction opportunities from its consolidation in the Montney area. As natural gas prices are expected to remain favourable in the short- and medium-term future, we view TOU as a best-in-class opportunity to capture the upside generated by the positive commodity pricing environment. While TOU trades at a slightly higher multiple than peers, we believe the premium is justified given the Company's strong competitive advantage and track record or returning value to shareholders.

Portfolio Allocation



Source: Company Filings