tamarack valley ENERGY

TSX: TVE

Tamarack Valley Energy Ltd. Announces 2020 First Quarter Results and Ongoing Value Preservation and Cost Cutting Focus

Calgary, Alberta – May 12, 2020 – Tamarack Valley Energy Ltd. ("Tamarack" or the "Company") is pleased to announce its financial and operating results for the three months ended March 31, 2020. Selected financial and operational information is outlined below and should be read in conjunction with Tamarack's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020 and related management's discussion and analysis ("MD&A") which are available on SEDAR at www.sedar.com and on Tamarack's website at www.tamarackvalley.ca.

In response to the unprecedented volatility in crude oil prices caused by demand destruction related to the impacts of COVID-19 coupled with a price war between OPEC and non-OPEC members, Tamarack is taking bold and proactive steps designed to preserve and protect shareholder value. The Company has pragmatically elected to shut-in corporate volumes of approximately 1,350 boe/d based on a multi-pronged cash flow analysis, and incorporates an NPV-based value preservation sensitivity that is specific to the Company's new, higher decline wells and our waterflood. In concert with the shut-ins, Tamarack is also updating previously provided guidance for 2020 as outlined within our March 18, 2020 press release. The measures taken by Tamarack to date in 2020 to limit capital spending, streamline costs and further enhance our balance sheet set the stage for ongoing success in 2021 when the operating environment and commodity price forecasts are expected to improve.

Q1 2020 Financial and Operating Highlights

Tamarack achieved average production of 23,531 boe/d in Q1/20, a 2% increase over 23,149 boe/d in Q1/19, and 5% lower than the previous quarter, while investing $73.9 million in capital expenditures. This contributed to the drilling of 59 (57.1 net) wells, comprised of 49 (47.8 net) Viking oil wells, four (3.3 net) Cardium oil wells, two (2.0 net) Penny Banff oil wells and four (4.0 net) water source and injector wells. We directed approximately 33% of our total Q1 capital expenditures to the Veteran waterflood, adding new injection patterns, extending pipeline infrastructure and increasing available source water capacity. This is expected to provide over 1,000 bbl/d of production through 2021 when peak waterflood response is achieved, which is in line with our previous expectations. Tamarack's current budget projections forecast capital invested in the Veteran waterflood to improve 2021 base production decline rates by 2 to 4%. Our continued focus on cost controls resulted in a 2% reduction of net production and transportation expenses year-over-year to $9.98/boe in Q1/20 compared to $10.20/boe in Q1/19, primarily due to increased production in the lower-cost Veteran area. Costs were kept effectively flat quarter-over-quarter.

The Company's first quarter operating netback of $22.11/boe generated adjusted funds flow (previously referred to as "adjusted operating field netback"; see "Non-IFRS Measures") of $42.0 million ($0.19 per share basic and diluted), compared to $57.5 million in Q1/19 ($0.25 per share basic and diluted) and $54.7 million ($0.25 per share basic and diluted) in Q4/19. Net income, however, was negatively impacted for the first quarter by the significant benchmark oil price deterioration which resulted in Tamarack taking a non-cash impairment charge of $381.0 million to our net book value. Revisions to forecasted crude oil prices could result in reversals or additional impairment charges which can impact net income.

The Company entered the first quarter with a strong balance sheet and ample liquidity and exited the quarter with net debt totaling $227.2 million, including working capital deficiency but excluding the fair value of financial instruments and lease liabilities. This resulted in a period end net debt to annualized adjusted funds flow ratio (see "Non-IFRS Measures") of 1.4 times. Tamarack's semi-annual borrowing base review is currently underway. The Company anticipates a reduction in available liquidity given the extreme decline in commodity prices; however, we do not expect that a borrowing base update will impact our ability to support the current and forecast debt levels for the year.

Tamarack continues to be committed to our environmental, social and governance ("ESG") principles during the quarter, reflected in our response to the COVID-19 crisis, which featured immediate mobilization, constant assessment of risk management and the development of plans to provide support to certain communities where need is particularly high, while implementing solid operational processes that balance business continuity with strong health and safety protocols.

Financial & Operating Results

	Three months ended March 31,		
	2020	2019	% change
($ thousands, except per share)			
Total oil, natural gas and processing revenue	**66,283**	95,618	(31)
Cash flow from operating activities	**46,359**	48,089	(4)
Per share – basic	**$ 0.21**	$ 0.21	–
Per share – diluted	**$ 0.21**	$ 0.21	–
Adjusted funds flow [1]	**42,045**	57,503	(27)
Per share – basic [1]	**$ 0.19**	$ 0.25	(24)
Per share – diluted [1]	**$ 0.19**	$ 0.25	(24)
Net loss	**(251,321)**	(4,826)	(5,108)
Per share – basic	**$ (1.13)**	$ (0.02)	(5,550)
Per share – diluted	**$ (1.13)**	$ (0.02)	(5,550)
Net debt [1]	**(227,151)**	(219,348)	4
Capital expenditures [2]	**73,873**	71,243	4
Weighted average shares outstanding *(thousands)*			
Basic	**222,048**	226,341	(2)
Diluted	**222,048**	226,341	(2)
Share Trading *(thousands, except share price)*			
High	**$ 2.27**	$ 2.96	(23)
Low	**$ 0.39**	$ 2.03	(81)
Trading volume (thousands)	**58,945**	64,864	(9)
Average daily production			
Light oil (bbls/d)	**12,867**	12,689	1
Heavy oil (bbls/d)	**180**	483	(63)
NGL (bbls/d)	**1,665**	1,548	8
Natural gas (mcf/d)	**52,912**	50,576	5
Total (boe/d)	**23,531**	23,149	2
Average sale prices			
Light oil ($/bbl)	**46.42**	65.47	(29)
Heavy oil ($/bbl)	**49.76**	40.65	22
NGL ($/bbl)	**19.44**	40.85	(52)
Natural gas ($/mcf)	**1.61**	2.82	(43)
Total ($/boe)	**30.76**	45.62	(33)
Operating netback ($/Boe) [1]			
Average realized sales	**30.76**	45.62	(33)
Royalty expenses	**(3.77)**	(4.86)	(22)
Net production and transportation expenses	**(9.98)**	(10.20)	(2)
Operating field netback ($/Boe) [1]	**17.01**	30.56	(44)
Realized commodity hedging gain (loss)	**5.10**	(0.45)	(1,233)
Operating netback	**22.11**	30.11	(27)
Adjusted funds flow ($/Boe) [1]	**19.64**	27.60	(29)

Notes:

(1) Net debt, adjusted funds flow, operating netback and operating field netback do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. See "*Non-IFRS Measures*".

(2) Capital expenditures include exploration and development expenditures but exclude asset acquisitions and dispositions.

The Company also announces the retirement of Mr. David MacKenzie and Ms. Noralee Bradley from the Company's board of directors. Mr. MacKenzie had served as a board member since the completion of the business combination and reorganization in June, 2010, and Ms. Bradley had served since December, 2015. Tamarack's board and management team would like to thank Mr. MacKenzie and Ms. Bradley for their numerous contributions to the Company and wish them all the best in their respective future endeavors.

Outlook/Updated Guidance

On March 18th, 2020, in response to current market conditions and a significant erosion in global commodity prices, Tamarack acted decisively and reduced our 2020 capital program to approximately $95 to $105 million from the previous $170 to $180 million (representing a reduction of approximately 46%). Given the continued volatility and weakness in crude oil benchmark prices for 2020, we have elected to further reduce our capital expenditures to approximately $95 million, representing a total reduction of $80 million from the midpoint of our original 2020 guidance. With the strength in natural gas price benchmark futures, Tamarack plans to add higher gas weighted production in the second half of 2020 through drilling wells that meet our total capital cost payout target of less than 1.5 years, while also locking-in the stronger future prices through our robust hedging program.

Currently, Tamarack has elected to shut in approximately 1,350 boe/d of production based on a multi-pronged evaluation approach that encompasses both well-by-well and field level cash flow analysis, and incorporates an NPV-based value preservation sensitivity that is specific to the Company's new, higher decline wells and our waterflood program. Tamarack will continue to monitor field-specific pricing and we are prepared to adjust additional production volumes as necessary. In addition to shutting-in volumes, we have secured an incremental 45,000 bbls of oil tank storage in the Veteran area, bringing our total corporate tankage capacity to 215,000 bbls. This tankage enables Tamarack to defer selling volumes into a weak commodity price environment and preserve value for shareholders by forward selling these volumes to lock-in incremental price capture. To reflect these shut-ins and tankage considerations along with the reduction in capital expenditure plans, we are revising our production guidance to a range of 19,000 to 20,000 boe/d with a focus on maintaining a strong balance sheet and financial flexibility through these turbulent times.

Cost control remains a core value of Tamarack and as such, the Company undertook a bottom-up analysis of our operating and G&A expenses. This has resulted in a reduction to estimated operating expenses for 2020 of approximately 18% comprised of fee renegotiations, workforce optimizations, activity deferral and production curtailments, along with a reduction of approximately 15% in G&A expenses compared to our original 2020 guidance.

We have continued to be opportunistic and have taken steps to enhance our hedge position. We have secured hedges on approximately 51% of oil volumes and approximately 68% of our MSW-WTI differential volumes for the period from April 1 to December 31, 2020. This, in addition to the incremental capital expenditure rollback and the highlighted cost savings, continues to ensure Tamarack maintains our strong financial position.

Revised 2020 Capital Budget and Guidance:

	March 18, 2020 Guidance	**May 12, 2020 Updated Guidance**
Full Year Capital Budget ($MM)	$95-$105	$95
Annual Average Production (boe/d)	21,500-22,500	19,000-20,000
Annual Average Oil & Natural Gas Liquids Weighting (%)	~62-64%	~60-62%
Free Adjusted Funds Flow[1] ($MM)	$18-23	$5-15
Net Debt to Trailing Annual Adjusted Funds Flow Ratio[1] (times)	<2.0	<2.0
2021 Estimated Corporate Decline Rate[2]	23-26%	23-26%

(1) See Non-IFRS Measures

(2) Based on December 2020 to December 2021 estimates

This guidance is based on average 2020 commodity price assumptions of WTI US$30.94/bbl, MSW/WTI differential of US$7.10/bbl and AECO at $2.10/GJ as well as a Canadian/US dollar exchange rate of $0.72.

COVID-19 Rapid Response

The health and safety of Tamarack's employees, partners, stakeholders and communities in which we operate continues to be our top priority as we weather this pandemic. In response to COVID-19, Tamarack acted quickly and took measures the week of March 16th to close the office and implement work-from-home protocols designed to ensure the health and safety of all employees and stakeholders. Specifically, we are following both federal and provincial health authorities' guidelines on physical distancing and have implemented enhanced cleaning and sanitation measures across all field and corporate offices. To ensure efficient and productive working conditions for employees, we quickly rolled-out new technologies across the organization which allowed Tamarack to become fully virtual within a few days and has also led to meaningful efficiency improvements which are expected to remain beyond the crisis.

Further, in true Tamarack form, we are seeking to go above and beyond to support our community. Through this crisis, we are continuing to work with our partners within the Blood First Nations community to ensure they are provided with critical support during this challenging time.

Thank you to our employees, consultants and contract operators who are taking extraordinary measures to ensure Tamarack remains resilient, competitive, and protective of shareholder value during these trying times.

Annual General & Special Meeting (the "Meeting") Information

Tamarack's Meeting will be held tomorrow, Wednesday, May 13, 2020 at 3:00 p.m. (Calgary time). In light of rapidly evolving circumstances and guidelines related to the COVID-19 pandemic, the Meeting will be held solely by remote communication through a real-time audio feed accessible via the following webcast link: http://www.gowebcasting.com/10610. The management information circular and proxy materials related to the Meeting were mailed to shareholders, filed on SEDAR at www.sedar.com and are posted on the Company's website. Tamarack continues to closely monitor COVID-19 developments and reserves the right to take any additional precautionary measures it deems appropriate related to the Meeting. Shareholders are encouraged to visit the Company's website prior to the Meeting for the most current information.

About Tamarack Valley Energy Ltd.

Tamarack is an oil and gas exploration and production company committed to long-term growth and the identification, evaluation and operation of resource plays in the Western Canadian Sedimentary Basin. Tamarack's strategic direction is focused on two key principles: (i) targeting repeatable and relatively predictable plays that provide long-life reserves; and (ii) using a rigorous, proven modeling process to carefully manage risk and identify opportunities. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily in the Cardium and Viking fairways in Alberta that are economic over a range of oil and natural gas prices. With this type of portfolio and an experienced and committed management team, Tamarack intends to continue delivering on its strategy to maximize shareholder returns while managing its balance sheet.

Abbreviations

bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mcf	thousand cubic feet
GJ	gigajoule
MMcf	million cubic feet
Mbbls	thousand barrels
mcf/d	thousand cubic feet per day

MSW	Mixed sweet blend, the benchmark for conventionally produced light sweet crude oil in Western Canada
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade
AECO	the natural gas storage facility located at Suffield, Alberta connected to TC Energy's Alberta System
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board

Disclosure of Oil and Gas Information

Unit Cost Calculation. For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with Canadian Securities Administrators' National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. Boe may be misleading, particularly if used in isolation.

Any references in this press release to production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Tamarack.

Forward Looking Information

This press release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "outlook", "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Tamarack's business strategy, objectives, strength and focus; the ability of the Company to achieve drilling success consistent with management's expectations; commodity prices; market conditions impacting realized prices; Tamarack's plans designed to preserve and protect shareholder value; the COVID-19 pandemic, the Company's current and planned responses thereto and the impact thereof on the Company; Tamarack's process to evaluate shut-in economics for its production, the continued evaluation thereof and plans for production shut-ins; expectations relating to Tamarack's ongoing success in 2021 and improvements in the operating environment and commodity price forecasts; the Veteran waterflood, developments and costs related thereto and expectations resulting therefrom, including with respect to 2021 oil production volumes and base production decline rates; Tamarack's continued focus on cost controls; revisions to forecasted crude oil prices and the impact thereof on impairment charges and net income; the Company's borrowing base, the review thereof, the expected reduction in available liquidity and the impact thereof on the Company's ability to support the current and forecast debt levels for the year; Tamarack's commitment to ESG principles; the Company's revised 2020 capital budget and 2020 guidance, including, without limitation, with respect to the Company's capital expenditures, capital cost payout, production volumes and weightings, commodity pricing, shutting in production, decline wells, waterflood program, tankage and the impacts thereof, selling production volumes, hedging program and hedging position, operating and G&A expenses; the Company's focus on maintaining a strong balance sheet and financial flexibility; Tamarack's ability to hold the Meeting on the date and means described herein, or any other precautionary measures the Company deems appropriate in relation to the Meeting, in response to further developments in respect of the COVID-19 outbreak; and Tamarack's plan to continue delivering on its strategy to maximize shareholder returns while managing its balance sheet.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack, including relating to: prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; the accuracy of Tamarack's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; the ability to lock in stronger future gas prices through hedging and enhance its hedge position; the ability to add higher gas weighted production in the second half of 2020, defer production volumes and use additional tankage to defer selling volumes; the ability to renew the borrowing base on acceptable terms; the ability to maintain a strong balance sheet and financial flexibility; and Tamarack's ability to execute its plans in response to the COVID-19 pandemic.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Tamarack can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: the COVID-19 pandemic, the Company's and governments' responses thereto and the impact on the Company's business, financial condition and results of operations and the oil and gas industry in general; the actions of OPEC and non-OPEC members; risks associated with the oil and gas industry in general (e.g. operational risks in development, exploration and production; and delays or changes in plans with respect to exploration or development projects or capital expenditures); commodity prices; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses; health, safety, litigation and environmental risks; access to capital; and the ability to renew the borrowing base on acceptable terms and the impact thereof . Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to Tamarack's annual information form for the year ended December 31, 2019 (the "AIF"), Tamarack's management's discussion and analysis for the year ended December 31, 2019 (the "2019 MD&A") and the MD&A for additional risk factors relating to Tamarack. The AIF, the 2019 MD&A and the MD&A can be accessed either on Tamarack's website at www.tamarackvalley.ca or under the Company's profile on www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Tamarack's prospective results of operations and production, corporate decline rates, capital expenditures, net debt to adjusted funds flow ratio, free adjusted funds flow, net debt to trailing annual adjusted funds flow ratio and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was made as of the date of this document and was provided for the purpose of providing further information about Tamarack's future business operations. Tamarack disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

Non-IFRS Measures

Certain financial measures referred to in this press release, such as adjusted funds flow, free adjusted funds flow, operating netback, operating field netback, capital cost payout, net debt to adjusted funds flow ratio, net debt to annualized adjusted funds flow ratio and net debt to trailing annual adjusted funds flow ratio are not prescribed by IFRS. Tamarack uses these measures to help evaluate its financial and operating performance as well as its liquidity and leverage. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

> "Adjusted funds flow" is calculated by taking cash-flow from operating activities and adding back items, including changes in non-cash working capital and expenditures on decommissioning obligations since Tamarack believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. Tamarack uses adjusted funds flow as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment.
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> "Free adjusted funds flow" is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions, Management believes that free adjusted funds flow provides a useful measure to determine Tamarack's ability to improve returns and to manage the long-term value of the business.
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> "Operating netback" is calculated as total petroleum and natural gas sales, including realized gains and losses on commodity, interest rate and foreign exchange derivative contracts, less royalties and net production and transportation costs.
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> "Capital cost payout" is achieved when revenues, less royalties, production and transportation costs are equal to the total capital costs associated with drilling, completing, equipping and tying-in a well.
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> "Net debt" is calculated as bank debt plus working capital surplus or deficit, including the fair value of cross-currency swaps and excluding the fair value of financial instruments and lease liabilities.
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> "Net debt to annualized adjusted funds flow ratio" is calculated as net debt divided by annualized adjusted funds flow for the most recent or noted quarter.
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> "Net debt to trailing annual adjusted funds flow ratio" is calculated as net debt divided by adjusted funds flow for the four preceding quarters.

Please refer to the MD&A for additional information relating to Non-IFRS measures. The MD&A can be accessed either on Tamarack's website at www.tamarackvalley.ca or under the Company's profile on www.sedar.com.

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