

TSX: TVE

Tamarack Valley Energy Ltd. Announces 2020 Second Quarter Results

Calgary, Alberta – August 12, 2020 – Tamarack Valley Energy Ltd. (“Tamarack” or the “Company”) is pleased to announce its financial and operating results for the three and six month periods ended June 30, 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 and six months ended June 30, 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.

Message to Shareholders

The past few months have been an extremely challenging period for the oil and gas sector given the demand destruction caused by the COVID-19 pandemic. Despite these challenges, our team has managed our business effectively, taking decisive action to protect our financial strength and enhance the sustainability of the Company. We elected to reduce our 2020 capital investment program, shut-in uneconomic production and through disciplined efforts to streamline the business, realized both operating and general and administrative (“G&A”) cost reductions.

As WTI prices strengthened during the quarter, our focus turned to capturing value-creating opportunities given the Company’s strong position, which features:

- a healthy balance sheet, expected to be at less than 1.5 times estimated net debt to trailing annual adjusted funds flow ratio (see “Non-IFRS Measures”) exiting 2020;
- forecasted free adjusted funds flow (see “Non-IFRS Measures”) in 2020;
- high operating netbacks;
- strong hedge book with both WTI and oil differential hedges in place to protect a large portion of our oil production for the remainder of 2020; and
- enhanced sustainability due to lower production declines, associated with lower capital spending and the ongoing success of our Veteran Waterflood program; all of which help to reduce our estimated corporate breakeven sustaining capital WTI price (see “Non-IFRS Measures”) to approximately US\$37/bbl in 2021.

Tamarack’s commitment to our core environmental, social and governance (“ESG”) principles is ongoing and is reflected in our response to the COVID-19 crisis. This includes the phased reopening of our corporate headquarters along with the constant assessment of risk management policies that are dedicated to upholding the health and safety of our skilled and valued employees, as well as the public in the communities in which we operate. Strategically, we are advancing our broader initiatives with a dedicated team of senior members leading the development of Tamarack’s ESG targets and inaugural report to integrate and enhance our accountability and sustainability moving forward.

On behalf of the management team and our Board of Directors, we would like to thank our shareholders, stakeholders and employees for their ongoing support during these unprecedented times.

((signed))

Brian Schmidt
President and CEO

Second Quarter 2020 Highlights

Tamarack generated free adjusted funds flow of approximately \$14.8 million for the second quarter, representing a total payout ratio (see “Non-IFRS Measures”) of approximately 30%, which will be directed to further enhancing our financial position. Average production was 20,997 boe/d in Q2/20, inclusive of shut-ins, representing a decrease of approximately 11% over Q1/20. The Company invested approximately \$6.2 million in capital expenditures which included the completion of one (1.0 net) Banff oil well, along with the finalization of the remaining carryover projects from Q1/20, as all other spending was put on hold due to the effects of COVID-19 on commodity prices. Tamarack’s focus on cutting costs resulted in lower quarter-over-quarter production, transportation and G&A expenses.

The Company’s second quarter operating netback (see “Non-IFRS Measures”) of \$13.75/boe generated adjusted funds flow (see “Non-IFRS Measures”) of \$21.0 million (\$0.09 per share basic and diluted). The Company recorded a net loss in the quarter of \$36.1 million (\$0.16 per share basic and diluted), inclusive of realized hedging gains of \$16.2 million. Tamarack remains well hedged through the second half of 2020.

During Q2/20, the Company completed its bank syndicated credit facility redetermination, which was established at \$275 million, and at June 30, 2020, the Company had \$206.5 million drawn against this facility. Tamarack is committed to maintaining financial flexibility and is well positioned from a liquidity standpoint to continue executing on its business strategy. The Company exited the quarter with net debt totaling \$213.1 million, including working capital deficiency but excluding the fair value of financial instruments and lease liabilities, compared to \$227.2 million at the end of Q1/20. Tamarack has sufficient liquidity for the remainder of 2020 and expects to generate free adjusted funds flow with a forecasted year-end net debt to trailing annual adjusted funds flow ratio of less than 1.5 times.

Financial & Operating Results

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% change	2020	2019	% change
(\$ thousands, except per share)						
Total oil, natural gas and processing revenue	33,127	98,526	(66)	99,410	194,144	(49)
Cash flow from operating activities	28,107	60,320	(53)	74,466	108,409	(31)
Per share – basic	\$ 0.13	\$ 0.27	(52)	\$ 0.34	\$ 0.48	(30)
Per share – diluted	\$ 0.13	\$ 0.26	(51)	\$ 0.34	\$ 0.47	(28)
Adjusted funds flow ¹	20,972	57,906	(64)	63,017	115,409	(45)
Per share – basic ¹	\$ 0.09	\$ 0.26	(65)	\$ 0.28	\$ 0.51	(45)
Per share – diluted ¹	\$ 0.09	\$ 0.25	(64)	\$ 0.28	\$ 0.50	(44)
Net income (loss)	(36,067)	16,472	(319)	(287,388)	11,646	(2,568)
Per share – basic	\$ (0.16)	\$ 0.07	(329)	\$ (1.30)	\$ 0.05	(2,700)
Per share – diluted	\$ (0.16)	\$ 0.07	(329)	\$ (1.30)	\$ 0.05	(2,700)
Net debt ¹	(213,066)	(195,892)	9	(213,066)	(195,892)	9
Capital expenditures ²	6,218	25,902	(76)	80,091	97,145	(18)
Weighted average shares outstanding (thousands)						
Basic	221,142	225,989	(2)	221,612	226,166	(2)
Diluted	221,142	231,152	(4)	221,612	231,287	(4)
Share Trading (thousands, except share price)						
High	\$ 1.09	\$ 3.09	(65)	\$ 2.27	\$ 3.09	(27)
Low	\$ 0.43	\$ 1.85	(77)	\$ 0.39	\$ 1.85	(79)
Trading volume (thousands)	66,702	52,198	28	125,647	117,062	7

Average daily production						
Light oil (bbls/d)	11,107	13,237	(16)	11,988	12,965	(8)
Heavy oil (bbls/d)	156	521	(70)	168	502	(67)
NGL (bbls/d)	1,466	1,423	3	1,565	1,485	5
Natural gas (mcf/d)	49,610	53,451	(7)	51,261	52,022	(1)
Total (boe/d)	20,997	24,090	(13)	22,265	23,622	(6)
Average sale prices						
Light oil (\$/bbl)	24.92	70.17	(64)	36.46	67.88	(46)
Heavy oil (\$/bbl)	15.47	65.14	(76)	33.81	53.43	(37)
NGL (\$/bbl)	12.73	21.81	(42)	16.30	31.68	(49)
Natural gas (\$/mcf)	1.37	1.71	(20)	1.50	2.24	(33)
Total (\$/boe)	17.42	45.04	(61)	24.47	45.32	(46)
Operating netback (\$/Boe) ¹						
Average realized sales	17.42	45.04	(61)	24.47	45.32	(46)
Royalty expenses	(2.12)	(4.20)	(50)	(3.00)	(4.52)	(34)
Net production and transportation expenses	(10.01)	(10.12)	(1)	(9.99)	(10.16)	(2)
Operating field netback (\$/Boe) ¹						
Realized commodity hedging gain (loss)	8.46	(1.58)	(635)	6.68	(1.03)	(749)
Operating netback	13.75	29.14	(53)	18.16	29.61	(39)
Adjusted funds flow (\$/Boe) ¹						
	10.98	26.41	(58)	15.55	26.99	(42)

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.

Updated Guidance

On July 9, 2020, Tamarack announced a strategic asset acquisition in West Central, Alberta for total cash proceeds of \$4.25 million. This included approximately 2,500 boe/d (52% oil and NGL) of low decline production, supported by a high quality, multi-zone light oil and liquids-rich gas drilling inventory and approximately 105,000 net acres of land. In conjunction with the acquisition, Tamarack provided updated 2020 pro-forma guidance inclusive of the curtailed production volumes that had been brought back on-stream and the increase to the Company's reclamation and abandonment spending in 2020, which reflects the Company's ongoing commitment to enhancing its ESG initiatives.

Pro-Forma 2020 Updated Guidance

July 9, 2020 Updated Guidance

Full Year Capital Budget (including Acquisitions & ARO spend) (\$MM)	\$101
Annual Average Production (boe/d)	20,850 - 21,250
Annual Average Oil & Natural Gas Liquids Weighting (%)	~60-62%
Free Adjusted Funds Flow ⁽¹⁾ (Inclusive of ARO Spend) (\$MM)	\$15-20
Year-End Net Debt to Trailing Annual Adjusted Funds Flow Ratio ⁽¹⁾ (times)	~1.5x
2021 Estimated Corporate Decline Rate ⁽²⁾	22-24%
2021 Estimated Corporate Sustaining Capital Breakeven Price (\$/Bbl) ⁽¹⁾	~US\$37.00

Notes:

- (1) See Non-IFRS Measures.
- (2) Based on December 2020 to December 2021 estimates.

The above guidance is based on average 2020 commodity price assumptions of WTI US\$39.00/bbl, MSW/WTI differential of US\$6.00/bbl and AECO at \$2.00/GJ as well as a Canadian/US dollar exchange rate of \$1.3625.

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

AECO	the natural gas storage facility located at Suffield, Alberta connected to TC Energy's Alberta System
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
GJ	gigajoule
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
mcf	thousand cubic feet
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

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.

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; Tamarack's commitment to ESG principles, measures taken in response to COVID-19 and plans relating thereto; Tamarack's hedging position; Tamarack's liquidity and financial position, the factors contributing thereto, the impact thereof and plans relating thereto; and Tamarack's updated 2020 guidance.

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; and Tamarack's ability to execute its plans and strategies.

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 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 COVID-19 pandemic. 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"), 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, net debt to trailing annual adjusted funds flow ratio, free adjusted funds flow, estimated corporate sustaining capital breakeven price 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, estimated corporate sustaining capital breakeven price, free adjusted funds flow, net debt, net debt to trailing annual adjusted funds flow ratio, operating netback, operating field netback and total payout 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 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. Adjusted funds flow can also be calculated on a per boe basis. Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating income (loss) per share.

“Estimated corporate sustaining capital breakeven price” is calculated as the WTI crude oil benchmark price needed to generate sufficient adjusted funds flow in order to cover the level sustaining capital needed in order to hold current production volumes stable.

“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.

“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.

“Year-end net debt to trailing annual adjusted funds flow ratio” is calculated as estimated year-end net debt divided by the estimated adjusted funds flow for the four preceding quarters at year-end.

“Operating netback” is calculated as total petroleum and natural gas sales, including realized gains and losses on commodity, foreign exchange and interest rate derivative contracts, less royalties and net production and transportation costs and can also be calculated on a per boe basis. “Operating field netback” is calculated as total petroleum and natural gas sales, less royalties and net production and transportation costs and can also be calculated on a per boe basis.

“Total payout ratio” is calculated as capital expenditures excluding acquisitions and dispositions, divided by adjusted funds flow. Management considers total payout ratio an important measure to evaluate its operational performance and capital allocation processes. It demonstrates the return of cash flow and allows the Company to understand how a capital program is funded under different operating scenarios, which helps assess the Company’s ability to generate value.

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.

For additional information, please contact:

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