TSX: TVE

Tamarack Valley Energy Ltd. Announces Strategic Clearwater Consolidation Through the Acquisition of Crestwynd Exploration Ltd. and Transition to Sustainability Linked Lending

Calgary, Alberta – December 15, 2021 – Tamarack Valley Energy Ltd. ("**Tamarack**" or the "**Company**") is pleased to announce that it has entered into a definitive agreement (the "**Agreement**") to acquire Crestwynd Exploration Ltd. ("**Crestwynd**"), a privately held pure play Clearwater oil producer, for total consideration of $184.7 million (the "**Acquisition**"). The consideration consists of: (i) $92.6 million in cash, subject to adjustment; and (ii) the issuance of 26,298,396 common shares of Tamarack ("**Tamarack Shares**") at a deemed price of $3.50 per Tamarack Share.

Tamarack's syndicate has provided an extension of the Company's existing $600 million revolving credit facility to December 2023 and transitioned the facility to a sustainability linked lending facility ("**SLL Facility**"). In conjunction with the Acquisition, National Bank Financial as syndicate lead, has provided commitments for a separate and additional $100 million credit facility.

Brian Schmidt (Aakaikkitstaki), Tamarack's President and CEO highlighted: "The Acquisition further establishes Tamarack as a leading operator in the highly economic Clearwater oil play. Acquiring high quality assets with significant free funds flow[(1)] where we can leverage our operational and technical expertise is a core principle of Tamarack's returns focused strategy. In addition, Tamarack's transition to the SLL Facility demonstrates our commitment to responsible development"

Clearwater Acquisition Highlights

- **Strategic sustainable, high quality Clearwater assets**
    - Forecast 2022 production of ~4,500 boe/d[(2)] is expected to deliver $90 million of operating netback
    - Low annual sustaining capital of $30 to $35 million required to hold production levels flat on the acquired assets[(3)]
    - 209 (153.7 net) future drilling locations[(4)], across only 50% of the 99,360 net acres acquired which supports maintaining current production levels for seven years
    - Additional unbooked future exploration upside potential across the balance of the acquired acreage
    - Consolidates Tamarack's existing Southern Clearwater working interest to 95% and solidifies its dominant position as the largest operator in the area

- **Attractive environmental & ESG profile**
    - Minimal asset retirement obligation (ARO) and limited freshwater requirements
    - Tamarack plans to implement gas conservation infrastructure within the current Southern Clearwater development plan

- **Increased exposure to the Clearwater, one of the most economic plays in North America**
    - Pro forma the Acquisition, Tamarack will control 445 net sections of Clearwater land across the Nipisi, West Marten Hills and Southern Clearwater areas

- Pro forma the Acquisition, over 650 net future drilling locations[4] and expected average 2022 Clearwater production of ~12,000 boe/d[5]

- **Accretive to Tamarack shareholders**
  - The purchase price implies a multiple of 2.1x annualized operating field netback[1,3]
  - Accretive on a per share basis to forecast 2022 adjusted funds flow[1,3] by 7% and free funds flow[1] of 9% on strip prices[3]
  - Maintains our strong sustaining free funds flow breakeven[1], including the base dividend, of ~$US35/bbl WTI on an unhedged basis
  - Pro forma leverage neutral 2022 year-end net debt to trailing annual adjusted funds flow[1,3] of <0.6x

- **Further enhancing the five year plan & return of capital framework**
  - Increases debt adjusted free funds flow[1,3] per share by more than 5% throughout Tamarack's five-year plan at crude oil prices of US$55/bbl WTI
  - Enhances our long-term return of capital framework given the accretion to debt adjusted free funds flow per share

Acquisition Metrics

Purchase Price	$184.7 million
2022 Average Production[2]	~4,500 boe/d
Oil and NGL Weighting	~100%
Annualized Operating Field Netback[1, 3]	$90.0 million
Drilling Locations	209 gross (153.7 net)
Proved plus Probable Reserves[6]	9.6 MMboe
Total Clearwater Acreage	99,360 net acres
Total ARO (Undiscounted)	<$8.0 million

2022 Guidance

Tamarack plans on releasing its 2022 guidance in early January 2022. This will incorporate the pro forma outlook for the Acquisition.

Transaction Details

Contemporaneous with the execution of the Agreement, certain shareholders of Crestwynd representing approximately 80% of the outstanding common shares of Crestwynd executed voting support agreements in connection with Acquisition. The Agreement provides for, among other things, a non-solicitation covenant on the part of Crestwynd, a right to match in favour of Tamarack and a break fee in the amount of $10.0 million payable to Tamarack in certain circumstances. A copy of the Agreement will be filed on Tamarack's SEDAR profile at www.sedar.com.

The Acquisition is expected to close on or about February 15, 2022 subject to certain customary conditions and regulatory and other approvals, including the approval of the Toronto Stock Exchange (the "TSX") and the Commissioner of Competition pursuant to the *Competition Act* (Canada).

At closing, Tamarack will enter into hold period agreements with each of the directors, officers and insiders of Crestwynd who will, prior to the completion of the Acquisition, collectively hold or exercise control over approximately 73% of the issued and outstanding common shares of Crestwynd. Pursuant to the hold period agreements, each shareholder will agree not to sell or trade the Tamarack Shares received pursuant to the Acquisition, except as follows: (i) ½ shall be eligible for disposition on the date that is three months after closing of the Acquisition; (ii) the remaining ½ of such of such Tamarack Shares shall be eligible for disposition on the date that is six months after closing of the Acquisition; and (iii) all sales of Tamarack Shares within 12 months after closing of the Acquisition must be effected via block trades facilitated by Tamarack.

SLL Facility

Tamarack has transitioned its existing $600 million revolving bank facility to an SLL Facility that incorporates sustainability-linked incentive pricing terms. Through the SLL Facility, three of Tamarack's long-term goals have been identified as key performance indicators (KPIs) and structured into sustainability performance targets (SPTs) that will decrease Tamarack's cost of borrowing by up to 5 basis points if the SPTs are achieved or increase the cost in the event SPTs are missed. The SPTs include:

- **GHG Emissions Intensity**: 40% reduction in Scope 1 and 2 emissions by 2025 over the 2020 baseline, with a significant decrease in 2021 and more ratable 5% decreases through 2022 to 2025. This SPT exceeds the previous set target due to 2021 acquisitions and positive progress in emissions reductions to date.
- **Decommissioning Management**: committed annual capital investment in abandonment, remediation and reclamation activities at 150% of the Alberta Energy Regulator inventory reduction voluntary closure program targets. This target is equivalent to ~4.33% of inactive liabilities in 2021 with a 5% annual escalation.
- **Indigenous Workforce Participation**: target workforce representation of 6% or greater by 2025 with annual milestones and minimum of two additions each year.

National Bank Financial Markets is acting as sustainability structuring agent, sole bookrunner and co-lead arranger with respect to the SLL Facility, with Royal Bank of Canada and CIBC acting as co-lead arrangers and syndicate support from ATB Financial, Federation des Caisses Desdjardins, Canadian Western Bank and Business Development Bank of Canada.

Advisors

Peters & Co. Limited and RBC Capital Markets are acting as financial advisors to Tamarack with respect to the Acquisition.

CIBC Capital Markets and Stifel FirstEnergy are acting as strategic advisors to Tamarack with respect to the Acquisition.

Stikeman Elliott LLP is acting as legal counsel to Tamarack with respect to the Acquisition and the SLL Facility.

National Bank Financial Inc. is acting as exclusive financial advisor to Crestwynd.

Burnet, Duckworth & Palmer LLP is acting as legal counsel to Crestwynd.

Investor Call and Webcast

Tamarack will host a call and webcast at 9:00AM MT (11:00AM ET) on December 15, 2021 to discuss the Acquisition. Participants can access the live webcast through this **link** or through links provided on the Company's website. A recorded archive of the webcast will be available on the Company's website following the live webcast.

About Tamarack Valley Energy Ltd.

Tamarack is an oil and gas exploration and production company committed to free funds flow generation and financial stability through the identification, evaluation and operation of resource plays in the Western Canadian Sedimentary Basin. Tamarack's strategic direction is focused on three key principles: (i) targeting repeatable and relatively predictable plays that provide long-life reserves; (ii) using a rigorous, proven modeling process to carefully manage risk and identify opportunities; and (iii) operating as a responsible corporate citizen with a focus on environmental, social and governance (ESG) commitments and goals. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily on Charlie Lake, Clearwater and EOR plays 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
ARO	asset retirement obligation
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
M&A	mergers and acquisitions
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, also referred to as Edmonton Par differential
WCS	Western Canadian Select, the benchmark for conventional heavy and oil sands blended 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

READER ADVISORIES

Notes to Press Release

(1) See "Non-IFRS Measures"; free funds flow and free funds flow breakeven were previously referred to as free adjusted funds flow and free adjusted funds flow breakeven, respectively.

(2) Comprised of 4,500 bbl/d heavy oil

(3) Strip pricing refers to the forward strip for WTI oil and AECO natural gas on December 8, 2021 and includes flat assumptions as follows with respect to CAD/USD foreign exchange, WCS and MSW differentials.

	2022	2023	2024	2025	2026
Dec 8 Strip					
WTI (US$/bbl)	$70.83	$66.98	$64.41	$62.83	$62.83
AECO ($/GJ)	$3.23	$3.02	$2.91	$2.89	$2.89
Tamarack Forecast Pricing Inputs					
CAD/USD FX	$1.28	$1.28	$1.28	$1.28	$1.28
WCS Diff (US$/bbl)	-$12.50	-$12.50	-$12.50	-$12.50	-$12.50
MSW Diff ($/bbl)	-$4.00	-$4.00	-$4.00	-$4.00	-$4.00

(4) See "Disclosure of Oil and Gas Information – Drilling Locations"

(5) Comprised of 12,000 bbl/d heavy oil

(6) Proved plus probable reserves are derived from the Company's internal Qualified Reserve Evaluators ("QRE") and prepared in accordance with National Instrument 51-101 ("NI 51-101") and the most recent publication of the Canadian Oil and Gas Evaluations Handbook ("COGEH"). "Internally estimated" means an estimate that is derived by the Company's internal QRE and prepared in accordance with NI 51-101. All internal estimates contained in this new release have been prepared effective as of February 1, 2022.

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 NI 51-101. Boe may be misleading, particularly if used in isolation.

Reserves Disclosure. All reserves information in this press release relating to assets to be acquired pursuant to the Acquisition (the "**Assets**") are internally estimated by the Company's internal qualified reserve evaluators prepared November 30, 2021 effective February 1, 2022 in accordance with NI 51-101 and the COGEH. The estimates of reserves and future net revenue for the Acquisition may not reflect the same confidence level as estimates of reserves and future net revenue for all of Tamarack's properties, due to the effects of aggregation.

All reserve references in this press release are "gross reserves". Gross reserves are a company's total working interest reserves before the deduction of any royalties payable by such company and before the consideration of such company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Tamarack's crude oil, NGL and natural gas reserves, including those of the Assets, provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein.

Drilling Locations. This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Company's internal reserves evaluation as prepared by a member of management who is a qualified reserves evaluator in accordance with NI 51-101 and the most recent publication of the COGEH effective November 1, 2021 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on the Company's assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the total 780 (680.5 net) drilling locations identified herein, 112 (106.2 net) are proved locations, 43 (38.8 net) are probable locations and 625 (535.5 net) are unbooked locations. Unbooked locations have been identified by management as an estimation of Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by the drilling of existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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 increased capacity under the Company's credit facilities, the extension of the revolving facility and the transition to an SLL Facility; the Acquisition and the timing thereof; satisfaction or waiver of the closing conditions to the Acquisition; receipt of required regulatory approvals for the completion of the Acquisition (including approval of the TSX and the Commissioner of Competition pursuant to the *Competition Act* (Canada)); the purchase price of the Acquisition; the anticipated benefits of the Acquisition, including the impact of the Acquisition on the Company's operations, reserves, inventory and opportunities, financial condition, access to capital and overall strategy; expectations with respect to reserves, oil and natural gas production, operating field netbacks, decline rates, abandonment and reclamation obligations, adjusted funds flow, free adjusted funds flow and net debt to trailing adjusted funds flow relating to the Assets and Tamarack following the Acquisition; development and drilling plans for the Assets, including the drilling locations associated therewith and timing of results therefrom; expectations regarding the Clearwater; oil and NGL weighting; anticipated operational results for 2022 including, but not limited to, estimated or anticipated production levels, operating field netbacks, decline rates, capital expenditures and drilling plans; the estimated quantity of the oil and gas reserves associated with the Assets and anticipated future cash flows from such reserves; future operational, technical, cost and revenue synergies resulting from the Acquisition; management's ability to replicate past performance; the ability of Tamarack to optimize production from the Assets; the Company's capital program, guidance and budget for 2022; expectations regarding commodity prices in 2022; deployment of the Company's 2022 capital program; the expected allocation of the Company's 2022 capital expenditure budget; including the Company's five year plan and the anticipated benefits thereof, future consolidation activity and organic growth, future intentions with respect to return of capital including dividends and share buybacks, debt targets, the ability of the Company to achieve drilling success consistent with management's expectations; Tamarack's commitment to ESG principles and the impact of the Acquisition thereon; the source of funding for the Company's activities including development costs; reserve life indexes; expected levels of royalty rates; development costs, operating costs, general and administrative costs, costs of services and other costs and expenses; and projections of commodity prices and costs including sustaining breakeven prices, and exchange rates. Statements relating to “reserves” are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack, including relating to: the business plan of Tamarack, Crestwynd and the Assets; the receipt of all approvals and satisfaction of all conditions to the completion of the Acquisition; the timing of and success of future drilling, development and completion activities; the geological characteristics of Tamarack's properties; the characteristics of the Assets; the successful integration of the Assets into Tamarack's operations; 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: counterparty risk to closing the Acquisition; unforeseen difficulties in integrating the Assets into Tamarack's operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); 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 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 the annual information form for the year ended December 31, 2020 and the management’s discussion and analysis for the three and nine months ended September 30, 2021 for additional risk factors relating to Tamarack, which 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 five year plan, including generating sustainable long-term growth in free funds flow, prospective results of operations and production, costs, capital expenditures, profit, payouts, balance sheet strength, adjusted funds flow, free funds flow, free funds flow breakeven, net debt, net debt to annualized adjusted funds flow, debt targets, total returns 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 approved by management 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 measures commonly used in the oil and natural gas industry referred to herein, including, "adjusted funds flow", "free funds flow", “free funds flow breakeven”, "net debt", “net debt to annualized adjusted funds flow”, and “operating field netback” do not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. These non-IFRS measures are further described and defined below. Such non-IFRS measures are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

“Adjusted funds flow” 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 per share is calculated using the same weighted average basic and diluted shares that are used in calculating loss per share.

“Free funds flow” (previously referred to as “free adjusted funds flow”) is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions, Management believes that free funds flow provides a useful measure to determine Tamarack’s ability to improve returns and to manage the long-term value of the business.

"Free funds flow breakeven" (previously referred to as “free adjusted funds flow breakeven”) is determined by calculating the minimum WTI price in US/bbl required to generate free funds flow equal to zero sustaining current production levels and all other variables held constant. Management believes that free funds flow breakeven provides a useful measure to establish corporate financial sustainability.

“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.

“Net Debt to Trailing Annual Adjusted Funds Flow” is calculated as net debt divided by the adjusted funds flow for the preceding quarters.

"**Operating Field Netback**" equals total petroleum and natural gas sales, less royalties and net production and transportation expenses.

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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