TSX: TVE

Tamarack Valley Energy Announces 2022 Corporate Budget, Updated Five-Year Plan and Return of Capital Framework & Declaration of Inaugural Dividend

Calgary, Alberta – January 13, 2022 – Tamarack Valley Energy Ltd. ("**Tamarack**" or the "**Company**") (TSX: TVE) announces that the Board of Directors (the "Board") has approved a 2022 capital budget, pro forma the acquisition of Crestwynd Exploration Ltd. (the "Acquisition"), of $250 to $270 million, designed to achieve significant free funds flow(1), and generate annual production of 45,000 to 46,000 boe/d(2), enabling return of capital optionality and maintaining a strong balance sheet.

"We are excited to roll out a strong 2022 plan with a continued focus of building on and delivering sustainable free funds flow(1). Our program is designed to provide an optimal balance of investment across our asset base with the growth driven by the Clearwater, free funds flow(1) maximization in the Charlie Lake, and decline mitigation through the Enhanced Oil Recovery (EOR) waterfloods. The updated five-year plan(3), inclusive of the Acquisition, generates robust free funds flow(1) of greater than $1.1 billion dollars at US$55/bbl WTI and greater than $2.1 billion dollars at US$70/bbl WTI." – Brian Schmidt, President and Chief Executive Officer

Highlights of the 2022 Budget

- Capital Program – Tamarack plans to invest $250 to $270 million, which includes the drilling of 126 (116.3 net) wells, funded through less than 50% of adjusted funds flow(1) at budget pricing of US$70/bbl WTI and CAD$3.00/GJ Aeco.
- Production & Free Funds Flow(1) – This program will drive production of 45,000 to 46,000 boe/d(2) with a 73-75% oil and NGL weighting and is expected to generate $250 to $300 million of free funds flow(1) (excluding acquisitions).
- Capital Allocation – We will direct approximately 40% of our capital program to the Clearwater, inclusive of the waterflood program at Nipisi, 30% to the Charlie Lake and 15% to our EOR waterflood assets in Veteran and Eyehill. The portfolio of capital investment is optimized to focus on free funds flow(1) generation and managing our corporate decline through continued investment in our waterflood projects.
- Uses of Free Funds Flow(1) – At budget pricing, free funds flow(1) will enable a reduction of debt and return of capital to shareholders.
- Sustaining free funds flow breakeven price(1) – Inclusive of the base dividend, the budget achieves a free funds flow breakeven(1) of ~US$35/bbl WTI.
- ESG Commitment – Tamarack has allocated $7.5 million to ARO spending and $3.5 million to gas conservation and other emissions reduction capital projects.

The Company continues to manage commodity price risk and volatility through a prudent hedging management program, with ~50% of gross oil production hedged against WTI on average through 2022. Our strategy provides protection to the downside while maximizing upside exposure. Additional details of the current hedges in place can be found in the corporate presentation on the Company website (www.tamarackvalley.ca).

Five-year Plan Update

In conjunction with the 2022 Budget and the Acquisition, Tamarack has updated its five-year plan[(3)] (2022-2026). The five-year plan[(3)] highlights the significant free funds flow[(1)] generated by the Company's assets and the flexibility to direct funds to achieve long term debt targets, return of capital to shareholders and incremental growth of the business both organically and through M&A opportunities. The updated five-year plan reflects expected inflationary cost increases.

Highlights of the updated five-year plan[(3)] include:

- Generation of approximately $1.1 billion of free funds flow[(1)] at US$55/bbl WTI and $2.50/GJ AECO flat pricing (the "planned pricing scenario"). Utilizing a US$70/bbl price through the plan would generate greater than $2.1 billion of free funds flow[(1)].
- Free funds flow breakeven[(1)], inclusive of the base dividend, of approximately US $35/bbl WTI; affords downside protection with upside torque given the short payout and high profit to investment nature of the Clearwater, Charlie Lake and Waterflood core oil plays.
- The planned pricing scenario over the five years contemplates a sustaining pro forma production base of 46,000 boe/d to 49,000 boe/d[(4)] which represents 2-3% annual growth, while balancing return of capital to shareholders. The plan has the Clearwater reaching production rates of 18,000 to 19,000 boe/d[(5)] through 2025/2026.
- Sustaining capital, inclusive of the base dividend, representing approximately 40-50% of adjusted funds flow[(1)], supports a production base of between 46,000 to 49,000 boe/d[(3)], inclusive of ARO spend. Annual capital to achieve sustaining production plus moderate growth will range between $220 to $270 million.
- Maintains a strong balance sheet, driving less than 1x year-end net debt to trailing annual adjusted funds flow[(1)], with a path to being debt free over the five years. Under the US$70/bbl WTI case, the Company estimates to be debt free in 2023.
- The five-year plan[(3)] is underpinned with >10 years of drilling inventory capable of delivering payout in <1.5 years based on the five-year plan[(3)] capital forecast.
- A strong commitment to ESG and sustainability with planned abandonment and reclamation spend incorporated in the sustaining capital assumptions which exceed government mandated levels along with capital focused on lowering emissions through Clearwater gas conservations projects aligned with the growth in the play.

Return of Capital Update

Pro forma the Acquisition, Tamarack's long-term debt target has been updated to $325 to $375 million from the previous $250 to $300 million. The long-term debt target is predicated on a forecasted year-end net debt to trailing annual adjusted funds flow[(1)] of 1.0x at US$45/bbl WTI. Pending market conditions and once the Company reaches this target; Tamarack plans to return up to 50% of the previous quarter's free funds flow[(1)] inclusive of base dividends to its shareholders through tactical share buybacks and/or special dividends. The remaining 50% of free funds flow[(1)] will be allocated to further debt repayment and future acquisition opportunities.

Declaration of Inaugural Dividend

Tamarack is pleased to announce that it will proceed with the implementation of its previously announced dividend program. Tamarack's board of directors has declared an inaugural monthly cash dividend on its common shares of C$0.0083 per share. The dividend will be payable on February 15, 2022, to shareholders of record at the close of business on January 31, 2022. This monthly cash dividend is designated as an "eligible dividend" for Canadian income tax purposes.

2022 Budget Details

Clearwater

Approximately 40% of our capital program will be directed to the Clearwater program in 2022 where we are forecasting to average 12,000 boe/d(6) annually, pro forma the Acquisition with the plan to drill and bring on 92 (82.6 net) wells. As part of the investment in the Clearwater, Tamarack plans to direct approximately $25 million into the Nipisi waterflood pilot program.

Our first quarter winter drilling program is currently underway with the anticipation of running a four-rig program that will see 27 net wells drilled in Nipisi and the Southern Clearwater inclusive of four injection wells in our Nipsi waterflood project.

Charlie Lake

Approximately 30% of our program will be directed to the Charlie Lake program with 14 (13.7 net) wells planned to be drilled and 15.7 net brought on stream where we forecast stable production and significant free funds flow(1) generation from the asset. Tamarack will have two rigs running with seven wells planned during the first quarter.

Veteran/ Eyehill Waterflood Assets

We plan to direct approximately 15% of our capital program to our Veteran and Eyehill waterflood assets for 2022. Two rigs are planned to be running in our Veteran and Eyehill properties during the first quarter program on a planned 13 well program.

Exploration/De-Risk Capital

Tamarack plans to allocate approximately 10% of our program to exploration and de-risk initiatives for 2022, which is comprised of land, seismic and the drilling of 3 to 4 exploratory wells. This capital will be used to further enhance our exploratory and exploitation opportunities within our portfolio and continue to expand and improve our inventory base in the Company.

Environmental, Social and Governance

To support the commitments and goals outlined in Tamarack's sustainability report and the sustainability performance targets identified in Tamarack's sustainability linked loan, Tamarack has allocated $7.5 million to ARO spend and $3.5 million to gas conservation and other emissions reduction capital projects.

2022 Guidance[7]

The following table summarizes our 2022 annual guidance[7].

Capital Budget (including ARO)[8] ($mm)	$250–$270
Annual Average Production (boe/d)	45,000–46,000
Expenses:	
Royalty Rate (%)	16%–17%
Operating ($/boe)	$8.50–$8.70
Transportation ($/boe)	$2.00–$2.10
General and Administrative ($/boe)	$1.30–$1.35
Interest ($/boe)	$1.35–$1.45
Taxes ($/boe)	$1.60–$1.70
Leasing Expenditures ($mm)	$3.7
Asset Retirement Obligations ($mm)	$7.5
Revenue:	
Average Oil & Natural Gas Liquids Weighting	74%
Light Oil Wellhead Differential	$3.00-$3.50
Heavy Oil Wellhead Differential	$4.50-$5.00
Sustaining FFF Breakeven[1] (WTI US$/bbl)	~$35.00

2022 Adjusted Funds Flow[1] Sensitivities

	Increase in Adjusted Funds Flow[1] ($mm)
Increase of $1.00 WTI ($US/bbl)	$11
Decrease of $1.00 MSW ($US/bbl)	$4
Decrease of $1.00 WCS ($US/bbl)	$4
Increase of $0.25 AECO ($CAD/GJ)	$3

Budget Pricing

Crude Oil – WTI ($US/bbl)	$70.00
Crude Oil – MSW Differential ($US/bbl)	$4.00
Crude Oil – WCS Differential ($US/bbl)	$14.00
Natural Gas – AECO ($CAD/GJ)	$3.00
Foreign Exchange – $US/$CAD	0.78

Capital Expenditures Breakdown

	Wells Drilled	Capital
Clearwater Heavy Oil – including Crestwynd ($mm)	92 (82.6 net)	$105.0-110.0
Charlie Lake Light Oil ($mm)	14 (13.7 net)	$75.0-80.0
Viking Waterflood & Other ($mm)	20 (20.0 net)	$35.0-38.0
Land, Seismic and Other ($mm)		$25.0-30.0
ARO & ESG Initiatives ($mm)		$10.0-12.0
Total		**$250.0-270.0**

We would like to thank our employees, shareholders and other stakeholders for all of their support over the past year and look forward to continuing to develop our high-quality assets to create shareholder value in a sustainable and responsible way.

Investor Webcast

Tamarack will host a webcast at 9:00 AM MT (11:00 AM ET) on January 13, 2022 to discuss the 2022 budget and provide an investor update. Participants can access the live webcast via 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 creating long-term value for its shareholders through sustainable free funds flow generation, financial stability and the return of capital. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily on Charlie Lake, Clearwater and EOR plays in Alberta. Operating as a responsible corporate citizen is a key focus to ensure we deliver on our environmental, social and governance (ESG) commitments and goals. For more information, please visit the Company's website at www.tamarackvalley.ca.

Abbreviations

AECO	the natural gas storage facility located at Suffield, Alberta connected to TC Energy's Alberta System
ARO	asset retirement obligation
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
mmcf/d	million 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

Reader Advisories

Notes to Press Release

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

(2) Comprised of 16,750-17,250 bbl/d light and medium oil, 13,000-13,250 bbl/d heavy oil, 3,750-4,000 bbl/d NGL and 69,000-71,000 mcf/d natural gas

(3) All five-year plan numbers are presented before tax

(4) Comprised of 16,000-18,000 bbl/d light and medium oil, 15,000-17,000 bbl/d heavy oil, 3,000-4,000 bbl/d NGL and 60,000-75,000 mcf/d natural gas

(5) Comprised of 15,000-17,000 bbl/d heavy oil, 50-250 bbl/d NGL and 4,000-5,000 mcf/d natural gas

(6) Comprised of 11,600-11,700 bbl/d heavy oil, 20-30 bbl/d NGL and 1,800-2,200 mcf/d natural gas for current production

(7) Pro forma the closing of the Acquisition of Crestwynd on February 15, 2022

(8) Capital budget includes exploration and development capital, ARO, ESG initiatives, facilities land and seismic but excludes asset acquisitions and dispositions

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 ("NI 51-101"). 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, including the Company's updated five year plan and the anticipated benefits thereof; the Acquisition and the timing thereof; future consolidation activity and organic growth; future intentions with respect to return of capital including dividends and share buybacks; the increased capacity under the Company's credit facilities, the extension of the revolving facility and the transition to an SLL Facility and the terms thereof; net debt reduction and debt targets; Tamarack's intention to return free funds flow to shareholders; the dividend policy; the granting of any special dividends or any share buybacks or other supplements to the base dividend; statements regarding plans or expectations for the declaration of future dividends and the amount thereof; oil and natural gas production levels, decline rates, adjusted funds flow, free funds flow; anticipated operational results for 2022 including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans; the Company's revised capital program, guidance and budget for 2022 and 2022 capital program; expectations regarding commodity prices; the performance characteristics of the Company's oil and natural gas properties; the ability of the Company to achieve drilling success consistent with management's expectations; Tamarack's commitment to ESG principles; the source of funding for the Company's activities including development costs; Without limitation of the foregoing, future dividend payments, if any, and the level thereof, is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, free funds flow financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tamarack to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility.

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 to be acquired pursuant to the Acquisition; 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 recently acquired assets; the successful integration of recently acquired 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: the risk that future dividend payments thereunder are reduced, suspended or cancelled; unforeseen difficulties in integrating of recently acquired 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 period ended September 30, 2021 (the "MD&A") 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, dividends and share buybacks, prospective results of operations and production, weightings, operating costs, capital budget and expenditures, decline rates, profit, balance sheet strength, adjusted funds flow, free funds flow, free funds flow breakeven, net debt, year-end net debt to trailing annual adjusted funds flow, debt targets, total returns and components thereof, including pro forma the Acquisition, 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" and “year-end net debt to trailing annualized adjusted funds flow”, 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.

"Year-end Net Debt to Trailing Annual Adjusted Funds Flow" is calculated as estimated year-end net debt divided by the estimated adjusted funds flow for the four preceding quarters at year-end.

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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