tamarack valley ENERGY

**TSX: TVE**

# Tamarack Valley Energy Ltd. Announces Five-Year Plan and Continued Strategic Clearwater Consolidation

**Calgary, Alberta – September 13, 2021** – Tamarack Valley Energy Ltd. ("Tamarack" or the "Company") is pleased to announce a corporate five-year plan along with the continued consolidation of assets in the Clearwater. The five-year plan highlights the significant free funds flow(1) the Company's assets generate and the flexibility to direct funds to achieving long-term debt targets, return of capital to shareholders, and incremental growth of the business both organically and through M&A opportunities. Tamarack continues to take a disciplined approach to consolidating its core assets and is pleased to announce the acquisition of approximately 53 net sections of land in the Southern Clearwater fairway, in the Jarvie area, with an inventory of >63 gross (59.7 net) future development locations and approximately 400 boe/d(2) of Clearwater oil production.

## Five Year Plan

Tamarack's five-year plan is expected to generate sustainable long-term growth in free funds flow(1). The strategic principles of the plan include 1) low leverage and balance sheet strength with a long-term target net debt to annualized adjusted funds flow of 0.5-1.0x; 2) low free funds flow breakeven(1) driven by highly economic inventory supporting positive free funds flow(1) down to the low to mid $30/bbl WTI price range; 3) inventory resiliency to ensure the duration of drillable locations and growth of free funds flow(1) beyond the five-year plan horizon and 4) the flexibility to direct a percentage of free funds flow(1) towards enhancing total shareholder return through the return of capital, which can be a combination of dividends and share buybacks.

Highlights of the five-year plan include:

- Generation of approximately $1.0 billion of free funds flow(1) at $55/bbl WTI and $2.50/GJ AECO flat pricing (the "planned pricing scenario"). This plan is sensitized down to $45/bbl WTI with $400 million of free funds flow(1) and torque to a $70/bbl WTI scenario with $1.7 billion of free funds flow(1), respectively.
- Free funds flow breakeven(1) in the low to mid $30/bbl WTI price range; affords downside protection with upside torque given the short payout and low breakeven nature of the Clearwater, Charlie Lake and waterflood core oil plays.
- The planned pricing scenario contemplates a sustaining production base of 41,000 to 43,000 boe/d3) with the flexibility to target an incremental 2-3% growth annually, while balancing return of capital to shareholders.
- Sustaining capital representing approximately 40-45% of adjusted funds flow(1) supports a production base of between 41,000 to 43,000 boe/d(3), inclusive of ARO spend. Annual capital to achieve sustaining production plus moderate growth will range between $200-$250 million.
- Long-term net debt to annualized adjusted funds flow(1) target of 0.5-1.0x, achieved in 2022/2023 under the planned pricing scenario, with a path to eliminating debt by 2024. At current strip prices target debt is achieved in early 2022, paving a path to potential return of capital through a combination of dividends and share buybacks.
- Flexibility to enhance return of capital and growth, both organically and through M&A, as the lower end of the debt target is achieved.

- The five-year plan is underpinned with >10 years of drilling inventory capable of delivering payout in <1.5 years based on the five-year plan capital forecast.
- A strong commitment to ESG and sustainability with planned abandonment and reclamation spend incorporated into the sustaining capital assumptions which exceed government mandated levels along with capital focused on the lower emission Charlie Lake, Clearwater and waterflood assets.

## Clearwater Update

On August 31st, the Company closed the acquisition of 53 net sections of highly prospective Clearwater lands which included approximately 400 boe/d(2) of heavy oil production for total consideration of $36 million. The acquisition includes 2.5 million boe of internally estimated proved plus probable reserves(4) and over 63 gross (59.7 net) highly prospective future development locations in the Southern Clearwater fairway. This acquisition fits with the Company's strategic and disciplined approach of enhancing the free funds flow(1) of the business both on a short-term and long-term basis. The drilling inventory is expected to drive payouts of approximately 6 months per well at current strip prices and a free funds flow breakeven(1) of ~$32-33/bbl WTI. Tamarack's Southern Clearwater lands represent some ~120 net sections along with over 226 gross (164.0 net) identified drilling locations and complements our core Nipisi and West Marten Hills core Clearwater development area.

### 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 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 in the Charlie Lake, Cardium, Clearwater 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

| | |
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| 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 |
| bopd | barrels of oil 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 |
| 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 400 bbl/d heavy oil.

(3) Comprised of 18,000-19,000 bbl/d light and medium oil, 8,500-9,000 bbl/d heavy oil, 3,300-3,500 bbl/d NGL and 67,000-70,000 mcf/d natural gas.

(4) 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 news release have been prepared effective as of May 1, 2021.

### 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.

**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 May 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 226 (164.0 net) drilling locations identified herein, 21 (21.0 net) are proved locations, 15 (13.0 net) are probable locations and 190 (130.0 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, 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, expectations with respect to reserves, oil and natural gas production levels including with respect to the recently acquired Clearwater assets, adjusted funds flow, free funds flow and net debt to annualized adjusted funds flow relating Tamarack, future development and drilling plans and drilling locations; 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; 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 timing of and success of future drilling, development and completion activities; the geological characteristics of Tamarack's properties; the characteristics of the recently acquired Clearwater assets; the successful integration of 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: unforeseen difficulties in integrating recently acquired assets into Tamarack's operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs; 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 six months ended June 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" and "net debt to 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.

**"Net Debt to Annualized Adjusted Funds Flow"** is calculated as net debt divided by the annualized adjusted funds flow for the most recently completed quarter.

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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