**TSX: TVE**

# Tamarack Valley Energy Announces 2021 Guidance and Corporate Update

**Calgary, Alberta – January 11, 2021** – Tamarack Valley Energy Ltd. ("**Tamarack**" or the "**Company**") (TSX: TVE) announces that the Board of Directors (the "**Board**") has approved a 2021 capital budget of $105 to $110 million, designed to grow corporate oil production by approximately 30% on an exit-over-exit basis, generate significant free adjusted funds flow and maintain a strong balance sheet with a debt to trailing annual adjusted funds flow of less than 1.5 times. While 2020 was a challenging year on many fronts, Tamarack's financial discipline and operational strength enabled the Company to capture additional accretive opportunities through both the tuck-in of an asset in West Central Alberta and a recent entry into the Clearwater oil play, adding low decline production and high rate-of-return drilling inventory, respectively. The Company expects to exceed the forecasted 21,500 boe/d annual average production for 2020 as referenced within Tamarack's November 10, 2020 press release.

## 2021 Corporate Guidance

Through 2021, Tamarack plans to invest approximately $105 to $110 million, which includes the drilling of 65 net wells. This investment is expected to result in average annual production of approximately 23,000 boe/d, while increasing our oil production volumes by approximately 30% in Q4/21 over Q4/20. Tamarack's 2021 corporate guidance reflects material year-over-year growth in free adjusted funds flow with a focus on oil growth in the Clearwater play, along with continued strong performance from the Company's Veteran waterflood project which further enhances the resiliency and sustainability of the business moving forward. The 2021 budget also reflects our dedication to environmental, social and governance ("**ESG**") factors, with significant capital dedicated to emissions reduction projects and abandonment and reclamation projects.

The Company continues to manage commodity price risk and volatility through a prudent hedging management program, with 48% of gross oil production hedged against WTI for the first half of 2021. Additional details of the current hedges in place can be found in the corporate presentation on the Company's website (www.tamarackvalley.ca).

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| Annual Average Production (boe/d) | 23,000 |
| Annual Average Oil & Natural Gas Liquids Weighting | 64% |
| Q4 2021 Oil & Natural Gas Liquids Weighting | 68% |
| Capital Budget[(1)] ($mm) | $105-$110 |
| Annual Adjusted Funds Flow[(2)] ($mm) | $135-$140 |
| Year-End Net Debt to Trailing Annual Adjusted Funds Flow[(2)] | <1.5x |
| Annual Free Adjusted Funds Flow[(2)] ($mm) | $30-$35 |
| 2021 Estimated Corporate Decline Rate[(3)] | 22%-24% |

(1) Capital budget includes exploration and development ("E&D") capital, asset retirement obligation ("ARO"), ESG initiatives, facilities, land and seismic
(2) See "Non-IFRS Measures"
(3) Based on December 2020 to December 2021 estimates

| **Pricing (Based on December 31st, 2020 Forward Strip)** | |
|---|---|
| Crude Oil – WTI ($US/bbl) | $48.40 |
| Crude Oil – MSW Differential ($US/bbl) | $5.50 |
| Crude Oil – WCS Differential ($US/bbl) | $14.50 |
| Natural Gas – AECO ($CAD/GJ) | $2.40 |
| Foreign Exchange – $CAD/$US | 0.78 |

| **Capital Expenditures Breakdown** | |
|---|---|
| Clearwater Medium Oil (incl. facilities) ($mm) | $53.0-55.0 |
| Viking Waterflood ($mm) | $29.0-30.0 |
| Viking Conventional ($mm) | $7.0 |
| West Central AB ($mm) | $5.0 |
| Land, Seismic and Other ($mm) | $4.0-5.0 |
| ARO & ESG Initiatives ($mm) | $7.0-8.0 |
| **Total** | **$105-110** |

## Clearwater Oil Play Operations Update/Outlook

Tamarack's Clearwater activity is ongoing with two rigs running in the play and a total of 16.0 net wells planned through to the end of the first quarter of 2021. Total E&D capital spend in the Clearwater is expected to be approximately $45 million for 2021 with approximately 41 (40.0 net) wells expected to be drilled along with approximately $8 million allocated to facilities, infrastructure, land and seismic. This investment is expected to drive average Q4/21 production from the Clearwater play to between 4,500-5,500 boe/d. Given the proximity of the Nipisi core operations to infrastructure with all-season accessibility, Tamarack is able to carry out activity through Q2 and Q3 2021 and ensure the majority of our production remains on-stream year-round. Enhanced Oil Recovery ("**EOR**") has the potential to increase recovery factors in the Clearwater and as such, Tamarack plans to commence EOR studies through the third quarter, with learnings from these studies, along with offsetting waterflood activity, applied in the latter months of 2021. Tamarack expects to have a more detailed operational update on the Clearwater in conjunction with our year-end financials and reserves, which are expected to be released after market on March 1st, 2021.

## 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, 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 |
| 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 |
| MMboe | million barrels of oil equivalent |
| MMcf/d | million cubic feet per day |
| MSW | Mixed sweet blend, the benchmark for conventionally produced light sweet crude oil in Western Canada |
| WCS | Western Canadian Select, the benchmark for heavy sour 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 |

**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.

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; Tamarack's updated 2021 guidance, drilling program and capital acceleration; the 2021 capital budget and the timing thereof; and the availability and use of the credit facility.

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, balance sheet, net-debt, year-end net debt to trailing annual adjusted funds flow ratio, adjusted funds flow, free adjusted funds flow, shareholder value and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was made as of the date of this document and was provided for the purpose of providing further information about Tamarack's future business operations. Tamarack disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

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

"**Adjusted funds flow**" is calculated by taking cash-flow from operating activities and adding back 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.

"**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.

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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