tamarack valley ENERGY

TSX: TVE

Tamarack Valley Energy Ltd. Announces 2020 Guidance and Continued Positive Response from Viking Waterflood

Calgary, Alberta – January 9, 2020 – Tamarack Valley Energy Ltd. ("**Tamarack**" or the "**Company**") is pleased to confirm its 2020 capital budget, announce its associated 2020 guidance and provide an operational update on the continued success of its Veteran waterflood project.

Incorporating December field estimates, Tamarack's 2019 average production volumes were within the annual guidance range of 23,500 to 24,500 boe/d. In addition, the Company exited the year with an oil and natural gas liquids ("NGL") weighting unchanged from Q1/19, despite the production curtailments imposed by the Government of Alberta, which impacted oil volumes for the majority of the year.

2020 Guidance

The Company's 2020 guidance and assumptions are outlined below:

- Capital budget is between $170 and $180 million which is forecast to maintain volumes consistent with the Company's 2019 annual average production of 23,500 to 24,500 boe/d (64% to 66% oil and NGL), with further increases in the oil and NGL weightings by the end of the year.
- Oil weighting to increase by 7% to 12% in 2020. Anticipated increases in waterflood response at Veteran are expected to partially offset Tamarack's corporate oil decline rate, resulting in the Company exiting Q4/20 with an oil weighting ranging between 59% and 62%, an increase from 55% in Q3/19, while its total liquids weighting at exit 2020 is expected to range between 65% and 68%, increasing from 62% in Q3/19.
- Year end 2020 estimated net debt to Q4 annualized adjusted operating field netback ratio is forecast at less than 1.0 times, with a minimum of $150 million of liquidity on existing credit facilities.
- Average 2020 commodity price assumptions of WTI US$55.50/bbl, a MSW / WTI differential of US$6.85/bbl, AECO $1.75/GJ and a Canadian/US dollar exchange rate of $0.7675.

2020 Capital Program Highlights

Over the past several years, Tamarack has maintained a disciplined capital allocation strategy designed to achieve sustainability through environments of weak and volatile oil prices, while continuing to direct excess adjusted operating field netback to purchase its common shares (the "Shares") under its normal course issuer bid ("NCIB") program. During the 12 months ended December 31, 2019, Tamarack invested $7.67 million to purchase and cancel 4,181,000 Shares. In addition, the Company further invested $3.4 million to purchase an additional 1,639,764 Shares to be held in trust by Tamarack's trustee and used to settle restricted share units ("RSUs") upon future exercises, offsetting future RSU dilution and supporting debt-adjusted per share growth.

Tamarack's 2020 budget of $170 to $180 million is forecast to drive average production volumes consistent with 2019 guidance levels, ranging from 23,500 to 24,500 boe/d, and is expected to be funded entirely by the Company's adjusted operating field netback. The program is focused on increasing oil and liquids weightings at year end 2020 as outlined above. This positive impact is a direct result of slowing down the Company's corporate oil decline rate due to an increasing anticipated response from the waterflood development at Veteran, which will continue to enhance Tamarack's longer-term sustainability.

The 2020 capital budget of $170 to $180 million includes maintenance capital estimated to range between $112 and $115 million which is designed to keep production flat, while approximately $50 to $58 million has been earmarked for Viking waterflood development projects, anticipated to positively impact decline rates and production later in the year and into 2021. In addition, Tamarack plans to direct between $5 and $8 million to expenditures for land and seismic, approximately $3 million for abandonment projects, and $2 to $3 million in initiatives designed to reduce emissions as part of the Company's ongoing commitment to its environment, social and governance responsibilities. Tamarack's 2020 capital program assumes a decrease in corporate declines from 38% in 2019 to 34% in 2020, with corporate declines expected to fall below 30% in 2021 as a result of the positive response from ongoing waterflood development.

Tamarack's 2020 maintenance capital budget anticipates the drilling of 90 to 100 net wells, including 80 to 90 Viking light oil wells, seven to nine Cardium light oil wells and two to five wells at Penny targeting the Lower Mississippian development. The Company's $50 to $58 million of planned waterflood investment in 2020 is expected to include 14 to 16 well conversions in 2020 and the drilling of 15 to 20 additional injection wells at East Veteran.

Based on the current 2020 plan, Tamarack expects to fully fund its capital expenditure program at commodity prices below the current forward strip, and to generate approximately $28 to $32 million of adjusted operating field netback in excess of its required capital expenditure levels assuming the commodity prices outlined above. As a result, Tamarack plans to invest approximately half of the adjusted operating field netback in excess of the 2020 capital budget to continue to purchase Shares for cancellation through the NCIB program and to offset future RSU dilution. This strategy supports the Company's commitment to optimize per share metrics and underpin shareholder value creation. The balance of Tamarack's excess adjusted operating field netback can be earmarked for debt repayment or continued accretive tuck-in acquisitions.

The Company remains well positioned to withstand further crude oil price volatility given approximately 35% of its first half 2020 production is protected with fixed price contracts at US$60.20/bbl.

Viking Waterflood Operational Update

Tamarack's ongoing investment in the Viking waterflood program at Veteran is a result of the positive waterflood response experienced to date. Oil production improvements as a result of waterflood projects in East Veteran and the Veteran Unit are currently between 800 to 900 bbls/d of oil.

The Company's original 200 meter-spaced East Veteran waterflood pilot (with two producing wells on the 12-19 pad supported by 4 injectors) averaged 340 bbls/d of oil in December 2019 from an initial base production rate of 50 bbls/d in March 2019. Since late February 2019, the four injector wells injected an average of 3,800 bbls/d of water, which stabilized during Q4/19 to an injection rate of 2,500 bbls/d.

The Veteran Unit waterflood pilot originally featured an injector pattern including 12 producing wells (12-29 and 14-29 pads) and three supporting injectors that covered approximately one section in area. The first two injectors have been continuously injecting since August 2018 and Tamarack added a third injector well in late March 2019. In aggregate, these injectors averaged 1,700 bbls/d of water since August 2018. Production has doubled on the 12-29 pad and 14-29 pad from 100 bbls/d in Q3/19 to over 200 bbls/d in late Q4/19.

During Q3/19, 11 new injector wells were brought on-stream in the Veteran Unit, bringing the total number of injectors to 14, with eight of the 11 commencing water injection in Q4/19. Through December of 2019, these new 11 wells injected an average of 10,000 bbls/d of water. Within Tamarack's 2020 budget several initiatives have been included that are designed to increase pattern injection rates in the Veteran Unit waterflood. Such initiatives are expected to increase water injection, ultimately causing a waterflood response in the Veteran Unit that is more consistent with the response realized at East Veteran in 2019.

Executive Change

The Company also announces the resignation of Mr. Ron Hozjan as Vice President, Finance and Chief Financial Officer of the Company. Mr. Hozjan has accepted the role of Chief Financial Officer of a private oil and gas services company that is focused on growing its US business. Tamarack would like to thank Mr. Hozjan for his contributions to the Company, which span more than ten years since its inception, and wishes him well in his future endeavors. Tamarack is in the process of identifying a successor. The Company has always planned for staff depth and Mr. Hozjan's duties will be executed efficiently in the interim by Tamarack's quality staff.

"On behalf of the entire board of directors, executive management team and all of our staff, I would like to extend sincere thanks to Ron for his many contributions to Tamarack," said Brian Schmidt, President and Chief Executive Officer. "We wish him well with this new opportunity."

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

bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
GJ	gigajoule
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade
AECO	the natural gas storage facility located at Suffield, Alberta, connected to TransCanada's Alberta System
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board

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.

Any references in this press release to production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Tamarack.

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 ability of the Company to achieve drilling success consistent with management’s expectations; commodity prices; market conditions impacting realized prices; the Company’s ability to withstand commodity price volatility; risk management activities, including hedging; oil and liquid production levels; increase in oil and liquids weightings at year end 2020; increasing injection rates at the Veteran waterflood; increase in waterflood response and timing thereof; a decrease in corporate decline rates in 2020 and 2021; the 2020 drilling program and capital budget; the Company’s expectations in 2020 to invest in initiatives designed to reduce emissions, to be fully-funded by its adjusted operating field netback and continue to purchase Shares for cancellation and to offset future RSU dilution; liquidity on existing credit facilities; timing of 2019 year-end filings; and shareholder returns.

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; and the accuracy of Tamarack’s geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation.

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: 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; and access to capital. 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, 2018 (the “AIF”) and management’s discussion and analysis for the three and nine months ended September 30, 2019 (the “MD&A”) for additional risk factors relating to Tamarack. The AIF 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, production, net debt, debt to Q4 annualized adjusted operating field netback 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 net debt, adjusted operating field netbacks and net debt to annualized adjusted operating field netback 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.

> "Net debt" is calculated as long-term debt plus working capital surplus or deficit adjusted for risk management contracts.
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> "Adjusted operating field netback" is calculated as net income or loss before taxes and adding back items including: transaction costs; and deducting non-cash items including: stock-based compensation; accretion expense on decommissioning obligations; depletion, depreciation and amortization; impairment; unrealized gain or loss on financial instruments; and gain or loss on dispositions.
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> "Net debt to annualized adjusted operating field netback ratio" is calculated as net debt divided by annualized adjusted operating field netback for the most recent 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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