

# TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Balance Sheets  
(unaudited)

|  | September 30,<br>2016 | December 31,<br>2015 |
|--|-----------------------|----------------------|
| <b>Assets</b>                                |                       |                      |
| Current assets:                              |                       |                      |
| Accounts receivable                          | \$13,980,861          | \$15,571,507         |
| Prepaid expenses and deposits                | 1,342,515             | 1,039,634            |
| Fair value of financial instruments (note 3) | –                     | 12,468,101           |
|  | 15,323,376            | 29,079,242           |
| Property, plant and equipment (note 5)       | 619,279,274           | 481,615,900          |
| Exploration and evaluation assets (note 6)   | 3,160,123             | 2,204,978            |
| Deferred tax asset                           | 41,495,766            | 36,167,594           |
|  | \$679,258,539         | \$549,067,714        |
| <b>Liabilities and Shareholders' Equity</b>  |                       |                      |
| Current liabilities:                         |                       |                      |
| Accounts payable and accrued liabilities     | \$29,543,100          | \$31,730,161         |
| Fair value of financial instruments (note 3) | 3,047,721             | –                    |
|  | 32,590,821            | 31,730,161           |
| Bank debt (note 11)                          | 48,597,685            | 82,821,860           |
| Decommissioning obligations (note 7)         | 122,809,767           | 63,330,850           |
| Shareholders' equity:                        |                       |                      |
| Share capital (note 9)                       | 535,820,463           | 416,075,358          |
| Contributed surplus                          | 20,773,415            | 17,044,404           |
| Deficit                                      | (81,333,612)          | (61,934,919)         |
|  | 475,260,266           | 371,184,843          |
| Commitments and contingencies (note 13)      |                       |                      |
| Subsequent event (note 14)                   |                       |                      |
|  | \$679,258,539         | \$549,067,714        |

See accompanying notes to the condensed consolidated interim financial statements.

# TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2016 and 2015

(unaudited)

|   | Three Months        |                | Nine Months         |                |
|---|---------------------|----------------|---------------------|----------------|
|   | ended September 30, |                | ended September 30, |                |
|   | 2016                | 2015           | 2016                | 2015           |
| Revenue:  |                     |                |                     |                |
| Oil and natural gas   | \$31,588,087        | \$27,779,319   | \$75,723,734        | \$78,420,495   |
| Royalties   | (2,219,838)         | (3,051,720)    | (5,049,197)         | (8,000,773)    |
| Realized gain on financial instruments (note 3)             | 2,082,980           | 4,288,134      | 12,458,959          | 9,987,577      |
| Unrealized gain (loss) on financial instruments (note 3)    | (528,632)           | 11,297,903     | (15,515,822)        | 3,960,284      |
|   | 30,922,597          | 40,313,636     | 67,617,674          | 84,367,583     |
| Expenses:   |                     |                |                     |                |
| Production  | 11,493,859          | 11,264,333     | 31,241,159          | 28,313,619     |
| General and administration                                  | 1,872,202           | 1,733,423      | 5,405,294           | 5,458,800      |
| Transaction costs   | 500,000             | 12,791         | 596,254             | 1,044,308      |
| Stock-based compensation (note 12)                          | 826,863             | 699,933        | 2,688,815           | 2,297,279      |
| Finance   | 1,409,196           | 1,654,594      | 3,945,728           | 4,752,586      |
| Depletion, depreciation and amortization                    | 17,107,627          | 14,074,094     | 47,535,942          | 43,733,433     |
| Loss (gain) on disposition of property, plant and equipment | –                   | (231,881)      | –                   | 180,207        |
| Impairment of property, plant and equipment                 | –                   | 29,100,000     | –                   | 29,100,000     |
|   | 33,209,747          | 58,307,287     | 91,413,192          | 114,880,232    |
| Loss before taxes   | (2,287,150)         | (17,993,651)   | (23,795,518)        | (30,512,649)   |
| Deferred income tax recovery (expense)                      | (907,707)           | 2,929,781      | 4,396,825           | 8,065,362      |
| Net loss and comprehensive loss                             | \$(3,194,857)       | \$(15,063,870) | \$(19,398,693)      | \$(22,447,287) |
| Net loss per share (note 10):                               |                     |                |                     |                |
| Basic   | \$(0.02)            | \$(0.15)       | \$(0.17)            | \$(0.26)       |
| Diluted   | \$(0.02)            | \$(0.15)       | \$(0.17)            | \$(0.26)       |

# TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Statements of Changes in Equity  
(unaudited)

|  | Number<br>of<br>common<br>shares | Share<br>capital | Contributed<br>surplus | Deficit        | Total<br>Shareholders'<br>equity |
|--|----------------------------------|------------------|------------------------|----------------|----------------------------------|
| Balance at January 1, 2016                   | 99,971,325                       | \$416,075,358    | \$17,044,404           | \$(61,934,919) | \$371,184,843                    |
| Issue of common shares                       | 35,104,150                       | 117,336,755      | –                      | –              | 117,336,755                      |
| Issue of flow-through shares                 | 1,952,000                        | 8,003,200        | –                      | –              | 8,003,200                        |
| Share issue costs, net of tax of \$1,790,227 | –                                | (4,840,241)      | –                      | –              | (4,840,241)                      |
| Transfer on exercise of stock options        | –                                | 104,271          | (104,271)              | –              | –                                |
| Flow-through share premium                   | –                                | (858,880)        | –                      | –              | (858,880)                        |
| Stock-based compensation                     | –                                | –                | 3,833,282              | –              | 3,833,282                        |
| Net loss                                     | –                                | –                | –                      | (19,398,693)   | (19,398,693)                     |
| Balance at September 30, 2016                | 137,027,475                      | \$535,820,463    | \$20,773,415           | \$(81,333,612) | \$475,260,266                    |

|  | Number<br>of<br>common<br>shares | Share<br>capital | Contributed<br>surplus | Deficit        | Total<br>Shareholders'<br>equity |
|--|----------------------------------|------------------|------------------------|----------------|----------------------------------|
| Balance at January 1, 2015                                 | 77,928,466                       | \$336,086,662    | \$12,931,358           | \$(44,606,551) | \$304,411,469                    |
| Issue of common shares                                     | 19,818,459                       | 74,860,360       | –                      | –              | 74,860,360                       |
| Issue of flow-through shares                               | 2,186,800                        | 9,075,220        | –                      | –              | 9,075,220                        |
| Share issue costs, net of tax of \$1,215,369               | –                                | (3,537,078)      | –                      | –              | (3,537,078)                      |
| Transfer on exercise of stock options and preferred shares | –                                | 247,906          | (247,906)              | –              | –                                |
| Flow-through share premium                                 | –                                | (809,116)        | –                      | –              | (809,116)                        |
| Stock-based compensation                                   | –                                | –                | 3,429,487              | –              | 3,429,487                        |
| Net loss   | –                                | –                | –                      | (22,447,287)   | (22,447,287)                     |
| Balance at September 30, 2015                              | 99,933,725                       | \$415,923,954    | \$16,112,939           | \$(67,053,838) | \$364,983,055                    |

See accompanying note to the condensed consolidated interim financial statements.

# TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended September 30, 2016 and 2015

(unaudited)

|   | Three Months        |                | Nine Months         |                |
|---|---------------------|----------------|---------------------|----------------|
|   | ended September 30, |                | ended September 30, |                |
|   | 2016                | 2015           | 2016                | 2015           |
| Cash provided by (used in):                                 |                     |                |                     |                |
| Operating:  |                     |                |                     |                |
| Net loss  | \$(3,194,857)       | \$(15,063,870) | \$(19,398,693)      | \$(22,447,287) |
| Items not involving cash:                                   |                     |                |                     |                |
| Depletion, depreciation and amortization                    | 17,107,627          | 14,074,094     | 47,535,942          | 43,733,433     |
| Stock-based compensation                                    | 826,863             | 699,933        | 2,688,815           | 2,297,279      |
| Loss (gain) on disposition of property, plant and equipment | –                   | (231,881)      | –                   | 180,207        |
| Accretion expense on decommissioning obligations            | 496,239             | 267,592        | 1,169,234           | 708,614        |
| Unrealized loss (gain) on financial instruments             | 528,632             | (11,297,903)   | 15,515,822          | (3,960,284)    |
| Impairment of property, plant and equipment                 | –                   | 29,100,000     | –                   | 29,100,000     |
| Deferred income tax expense (recovery)                      | 907,707             | (2,929,781)    | (4,396,825)         | (8,065,362)    |
| Funds from operations                                       | 16,672,211          | 14,618,184     | 43,114,295          | 41,546,600     |
| Abandonment expenditures (note 7)                           | (1,566)             | 233            | (184,983)           | (154,574)      |
| Changes in non-cash working capital (note 8)                | (2,585,439)         | (2,879,874)    | 198,757             | (3,452,410)    |
| Cash provided by operating activities                       | 14,085,206          | 11,738,543     | 43,128,069          | 37,939,616     |
| Financing:  |                     |                |                     |                |
| Change in bank debt   | (32,139)            | 5,923,028      | (34,224,175)        | (5,776,972)    |
| Proceeds from issuance of shares                            | 81,605,983          | –              | 125,339,955         | 83,935,580     |
| Share issue costs   | (4,246,517)         | (9,845)        | (6,630,468)         | (4,752,447)    |
| Cash provided by financing activities                       | 77,327,327          | 5,913,183      | 84,485,312          | 73,406,161     |
| Investing:  |                     |                |                     |                |
| Property, plant and equipment additions                     | (13,972,077)        | (22,158,281)   | (39,713,209)        | (43,239,213)   |
| Exploration and evaluation additions                        | (525,311)           | (69,443)       | (2,243,026)         | (218,507)      |
| Acquisitions (note 4)                                       | (85,308,155)        | (1,230,258)    | (85,308,155)        | (56,213,342)   |
| Proceeds from disposal of property, plant and equipment     | –                   | 292,354        | –                   | 2,247,937      |
| Changes in non-cash working capital (note 8)                | 8,393,010           | 2,085,460      | (348,991)           | (14,752,756)   |
| Cash used in investing activities                           | (91,412,533)        | (21,080,168)   | (127,613,381)       | (112,175,881)  |
| Change in cash and cash equivalents                         | –                   | (3,428,442)    | –                   | (830,104)      |
| Cash and cash equivalents, beginning of period              | –                   | 3,428,442      | –                   | 830,104        |
| Cash and cash equivalents, end of period                    | \$ –                | \$ –           | \$ –                | \$ –           |

See accompanying notes to the condensed consolidated interim financial statements.

# TAMARACK VALLEY ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2016 and 2015  
(unaudited)

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## 1. Reporting entity:

Tamarack Valley Energy Ltd. (“Tamarack” or the “Company”) is a corporation existing under the laws of Alberta. The condensed consolidated interim financial statements of Tamarack consist of the Company and its subsidiaries. The Company has the following wholly owned subsidiaries, which are incorporated in Canada: Tamarack Acquisition Corp. and Tamarack Valley Ridge Holdings Ltd. The Company also has a subsidiary incorporated in the United States: Tamarack Ridge Resources Inc. On January 1, 2016, Tamarack Acquisition Corp. and Tamarack Valley Holdings Corp., completed a vertical amalgamation under the *Business Corporations Act* (Alberta) to form “Tamarack Acquisition Corp”. The Company is engaged in the exploration for, development and production of, oil and natural gas.

Tamarack is a publicly traded company, incorporated and domiciled in Canada. The address of its registered office is Suite 2500, 450 – 1<sup>st</sup> Street S.W., Calgary, Alberta, T2P 5H1. The address of its head office is currently Suite 600, 425 – 1<sup>st</sup> Street S.W., Calgary, Alberta T2P 3L8.

## 2. Basis of preparation:

(a) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting” of International Financial Reporting Standards (“IFRS”).

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2015. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s annual filings for the year ended December 31, 2015.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 7, 2016.

## 3. Commodity contracts:

It is the Company’s policy to economically hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company does not apply hedge accounting for these contracts. The Company’s production is usually sold using “spot” or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long-term, fixed price marketing contracts. The Company does not enter into commodity contracts other than to meet the Company’s expected sales requirements.

All financial derivative contracts are classified as fair value through profit and loss and are recorded on the balance sheet at fair value. The fair value of forward contracts and swaps is determined by

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discounting the difference between the contracted prices and level 2 published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options and collars is based on option models that use level 2 inputs, being published information with respect to volatility, prices and interest rates. The derivatives are valued at fair value to profit and loss and therefore carrying amount equals fair value.

At September 30, 2016, the Company held derivative commodity contracts as follows:

| Subject contract | Notional quantity | Remaining term                      | Hedge type       | Strike price | Fair value (Cdn \$) |
|------------------|-------------------|-------------------------------------|------------------|--------------|---------------------|
| Crude oil        | 2,000 bbls/day    | October 1, 2016 – December 31, 2016 | WTI fixed price  | Cdn \$66.43  | \$392,024           |
| Crude oil        | 2,200 bbls/day    | January 1, 2017 – March 31, 2017    | WTI fixed price  | Cdn \$60.54  | (\$1,124,467)       |
| Crude oil        | 2,200 bbls/day    | April 1, 2017 – June 30, 2017       | WTI fixed price  | Cdn \$61.60  | (\$1,161,940)       |
| Crude oil        | 1,000 bbls/day    | July 1, 2017 – September 30, 2017   | WTI fixed price  | Cdn \$64.35  | (\$348,011)         |
| Crude oil        | 200 bbls/day      | October 1, 2017 – December 31, 2017 | WTI fixed price  | Cdn \$67.45  | (\$24,332)          |
| Natural gas      | 3,000 GJ/day      | October 1, 2016 – October 31, 2016  | AECO fixed price | Cdn \$2.53   | \$33,861            |
| Natural gas      | 9,000 GJ/day      | October 1, 2016 – December 31, 2016 | AECO fixed price | Cdn \$2.31   | (\$242,513)         |
| Natural gas      | 12,000 GJ/day     | January 1, 2017 – March 31, 2017    | AECO fixed price | Cdn \$2.68   | (\$182,547)         |
| Natural gas      | 12,000 GJ/day     | April 1, 2017 – June 30, 2017       | AECO fixed price | Cdn \$2.37   | (\$189,969)         |
| Natural gas      | 12,000 GJ/day     | July 1, 2017 – September 30, 2017   | AECO fixed price | Cdn \$2.41   | (\$161,980)         |
| Natural gas      | 9,000 GJ/day      | October 1, 2017 – December 31, 2017 | AECO fixed price | Cdn \$2.79   | (\$37,847)          |
|                  |                   |                                     |                  |              | (\$3,047,721)       |

At September 30, 2016, the commodity contracts were fair valued with a liability of \$3,047,721 (December 31, 2015 - \$12,468,101 asset) recorded on the balance sheet and an unrealized loss of \$15,515,822 recorded in earnings.

All physical commodity contracts are considered executory contracts and are not recorded at fair value on the balance sheet. On settlement the realized benefit or loss is recognized in oil and natural gas revenue. At September 30, 2016, the Company held physical commodity contracts as follows:

| Subject contract | Notional quantity | Remaining term                   | Hedge type       | Strike price |
|------------------|-------------------|----------------------------------|------------------|--------------|
| Natural gas      | 2,000 GJ/day      | January 1, 2017 – March 31, 2017 | AECO fixed price | Cdn \$2.55   |

Risk management contracts assets and liabilities are offset and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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The following table sets out gross amounts relating to risk management contract assets and liabilities that have been presented on a net basis on the balance sheet:

| <b>Gross Amounts</b>       | <b>September 30, 2016</b> | December 31, 2015 |
|----------------------------|---------------------------|-------------------|
| Risk management contracts  |                           |                   |
| Current asset              | <b>\$425,885</b>          | \$12,468,101      |
| Current liability          | <b>(\$3,473,606)</b>      | –                 |
| Balance, end of the period | <b>(\$3,047,721)</b>      | \$12,468,101      |

Since September 30, 2016, the Company has entered into the following derivative contracts:

| Subject contract | Notional quantity | Remaining term                      | Hedge type       | Strike price |
|------------------|-------------------|-------------------------------------|------------------|--------------|
| Crude oil        | 200 bbls/day      | July 1, 2017 – September 30, 2017   | WTI fixed price  | Cdn \$68.55  |
| Crude oil        | 200 bbls/day      | October 1, 2017 – December 31, 2017 | WTI fixed price  | Cdn \$70.00  |
| Natural gas      | 2,000 GJ/day      | January 1, 2017 – March 31, 2017    | AECO fixed price | Cdn \$3.20   |
| Natural gas      | 4,000 GJ/day      | April 1, 2017 – June 30, 2017       | AECO fixed price | Cdn \$2.81   |
| Natural gas      | 2,000 GJ/day      | July 1, 2017 – September 30, 2017   | AECO fixed price | Cdn \$2.78   |

#### 4. Property Acquisitions:

On July 12, 2016, the Company acquired certain working interests in developed petroleum and natural gas properties in the Penny area of Southern Alberta (“Penny Acquisition”) for an aggregate cash purchase price of approximately \$59.1 million after closing adjustments.

On July 25, 2016, the Company acquired certain working interests in developed petroleum and natural gas properties in the Redwater and Wilson Creek areas of Alberta (“Redwater Acquisition”) for an aggregate cash purchase price of approximately \$27.3 million after closing adjustments.

The Penny Acquisition represents a new core area for the Company focused on Barons oil, while the Redwater Acquisition complements the Company’s existing Viking oil properties. The operations from the acquisitions have been included in the results of the Company commencing in July of 2016. The Company incurred transaction costs of \$500,000, which were expensed through the statement of income and comprehensive income.

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The acquisitions have been accounted for as business combinations and the allocation of the purchase price is as follows:

|                               | Penny<br>Acquisition | Redwater<br>Acquisition | Total                |
|-------------------------------|----------------------|-------------------------|----------------------|
| <b>Consideration:</b>         |                      |                         |                      |
| Cash                          | \$ 59,074,517        | \$ 26,233,638           | \$ 85,308,155        |
| Working capital settled       | –                    | 1,095,880               | 1,095,880            |
| <b>Total consideration</b>    | <b>\$ 59,074,517</b> | <b>27,329,518</b>       | <b>\$ 86,404,035</b> |
| <b>Net Assets Acquired:</b>   |                      |                         |                      |
| Prepaid expenses              | \$ 948,191           | \$ 896,751              | \$ 1,844,942         |
| Property, plant and equipment | 67,714,156           | 37,626,509              | 105,340,665          |
| Decommissioning obligations   | (9,587,830)          | (11,193,742)            | (20,781,572)         |
| <b>Net assets</b>             | <b>\$ 59,074,517</b> | <b>\$ 27,329,518</b>    | <b>\$ 86,404,035</b> |

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

The fair value of property, plant and equipment has been determined with reference to a reserve report. The fair value of decommissioning obligations was initially estimated using a credit adjusted rate of 8%.

Included in the statement of income are the following amounts for the Penny and Redwater Acquisitions since the date of acquisitions:

|                             | Penny Acquisition | Redwater Acquisition | Total       |
|-----------------------------|-------------------|----------------------|-------------|
| Oil and natural gas revenue | \$3,911,986       | \$2,339,903          | \$6,251,289 |
| Net loss                    | (89,119)          | (448,941)            | (538,060)   |

If the Penny and Redwater properties had been acquired on January 1, 2016, the incremental oil and natural gas revenue and income recognized for the period ended September 30, 2016 and the pro forma results would have been as follows:

| Period ended September 30, 2016 | As stated    | Penny<br>Acquisition<br>prior to<br>acquisition | Redwater<br>Acquisition<br>prior to<br>acquisition | Pro Forma    |
|---------------------------------|--------------|---|--|--------------|
| Oil and natural gas revenue     | \$75,723,734 | \$9,603,285                                     | \$6,220,459  | \$91,547,478 |
| Net loss                        | (19,398,693) | (671,954)                                       | (4,596,797)  | (24,667,444) |

## TAMARACK VALLEY ENERGY LTD.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2016 and 2015  
(unaudited)

### 5. Property, plant and equipment:

|  | Oil and Natural<br>Gas Interests | Other<br>Assets | Total         |
|--|----------------------------------|-----------------|---------------|
| Cost:  |                                  |                 |               |
| Balance at January 1, 2015                         | \$585,493,847                    | \$332,484       | \$585,826,331 |
| Property acquisition                               | 66,716,576                       | –               | 66,716,576    |
| Cash additions                                     | 61,490,520                       | 268,747         | 61,759,267    |
| Decommissioning costs                              | 12,207,496                       | –               | 12,207,496    |
| Stock-based compensation                           | 1,419,207                        | –               | 1,419,207     |
| Transfer from exploration and<br>evaluation assets | 1,989,039                        | –               | 1,989,039     |
| Disposals  | (12,928,641)                     | –               | (12,928,641)  |
| Balance at December 31, 2015                       | 716,388,044                      | 601,231         | 716,989,275   |
| Property acquisition                               | 105,340,665                      | –               | 105,340,665   |
| Cash additions                                     | 39,357,909                       | 355,300         | 39,713,209    |
| Decommissioning costs                              | 37,713,094                       | –               | 37,713,094    |
| Stock-based compensation                           | 1,144,467                        | –               | 1,144,467     |
| Transfer from exploration and<br>evaluation assets | 730,863                          | –               | 730,863       |
| Balance at September 30, 2016                      | \$900,675,042                    | \$956,531       | \$901,631,573 |
| Depletion, depreciation and impairment losses:     |                                  |                 |               |
| Balance at January 1, 2015                         | \$150,320,639                    | \$177,576       | \$150,498,215 |
| Depletion and depreciation                         | 58,744,439                       | 87,101          | 58,831,540    |
| Disposals  | (131,380)                        | –               | (131,380)     |
| Impairment loss                                    | 26,175,000                       | –               | 26,175,000    |
| Balance at December 31, 2015                       | 235,108,698                      | 264,677         | 235,373,375   |
| Depletion and depreciation                         | 46,864,473                       | 114,451         | 46,978,924    |
| Balance at September 30, 2016                      | \$281,973,171                    | \$379,128       | \$282,352,299 |
| Carrying amounts:                                  |                                  |                 |               |
| At December 31, 2015                               | \$481,279,346                    | \$336,554       | \$481,615,900 |
| At September 30, 2016                              | \$618,701,871                    | \$577,403       | \$619,279,274 |

The calculation of depletion at September 30, 2016 includes estimated future development costs of \$407,368,000 (December 31, 2015 – \$361,667,000) associated with the development of the Company's proved plus probable reserves and excludes salvage value of \$32,178,000 (December 31, 2015 – \$25,630,400).

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Notes to the Condensed Consolidated Interim Financial Statements  
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### 6. Exploration and evaluation assets:

|   | Total         |
|---|---------------|
| Cost:                                     |               |
| Balance at January 1, 2015                | \$23,631,049  |
| Additions                                 | 440,838       |
| Transfer to property, plant and equipment | (1,989,039)   |
| Balance at December 31, 2015              | 22,082,848    |
| Additions                                 | 2,243,026     |
| Transfer to property, plant and equipment | (730,863)     |
| Balance at September 30, 2016             | \$23,595,011  |
| Amortization and impairment:              |               |
| Balance at January 1, 2015                | \$19,162,226  |
| Amortization                              | 715,644       |
| Balance at December 31, 2015              | 19,877,870    |
| Amortization                              | 557,018       |
| Balance at September 30, 2016             | \$ 20,434,888 |
|   | Total         |
| Carrying amounts:                         |               |
| At December 31, 2015                      | \$2,204,978   |
| At September 30, 2016                     | \$3,160,123   |

Exploration and evaluation (E&E) assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period.

### 7. Decommissioning obligations:

The decommissioning obligations result from net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately \$115.7 million at September 30, 2016 (December 31, 2015 – \$63.0 million), which is expected to be incurred between 2016 and 2038. A risk-free rate of 1.80% (2015 – 2.2%) and an inflation rate of 2% (2015 – 2%) is used to calculate the fair value of the decommissioning obligations at September 30, 2016 as presented in the table below:

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|  | September 30, 2016   | December 31, 2015 |
|--|----------------------|-------------------|
| Balance, beginning of the period       | <b>\$63,330,850</b>  | \$41,356,532      |
| Liabilities incurred                   | <b>1,015,265</b>     | 1,091,390         |
| Liabilities acquired (note 4)          | <b>20,781,572</b>    | 9,237,544         |
| Change in estimates                    | <b>3,652,674</b>     | 444,130           |
| Change in discount rate on acquisition | <b>33,045,155</b>    | 10,671,976        |
| Expenditures                           | <b>(184,983)</b>     | (155,559)         |
| Liabilities disposed                   | –                    | (369,117)         |
| Accretion                              | <b>1,169,234</b>     | 1,053,954         |
| Balance, end of the period             | <b>\$122,809,767</b> | \$63,330,850      |

The decommissioning obligations acquired in the Penny and Redwater Acquisitions were initially recognized using a fair value discount rate of 8%. They were subsequently revalued using the risk-free rate noted above resulting in the change in discount rate on acquisition in the above table with the offset to property, plant and equipment.

A change in estimates for 2016 resulted from the decommissioning obligations being revalued using the risk-free rate of 1.8% as opposed to the risk free rate of 2.2% used in 2015.

### 8. Supplemental cash flow information:

Changes in non-cash working capital consists of:

|  | Three months ended   |               | Nine months ended  |                |
|--|----------------------|---------------|--------------------|----------------|
|  | September 30,        |               | September 30,      |                |
|  | 2016                 | 2015          | 2016               | 2015           |
| Source/(use of cash):                    |                      |               |                    |                |
| Accounts receivable                      | <b>\$(136,040)</b>   | \$(399,885)   | <b>\$1,590,646</b> | \$4,232,638    |
| Prepaid expenses and deposits            | <b>(362,769)</b>     | (63,082)      | <b>(302,881)</b>   | (74,448)       |
| Accounts payable and accrued liabilities | <b>5,557,318</b>     | (331,447)     | <b>(2,187,061)</b> | (23,172,790)   |
| Working capital on acquisition (note 4)  | <b>749,062</b>       | –             | <b>749,062</b>     | 809,434        |
|  | <b>\$5,807,601</b>   | \$(794,414)   | <b>\$(150,234)</b> | \$(18,205,166) |
| Related to operating activities          | <b>\$(2,585,439)</b> | \$(2,879,874) | <b>\$198,757</b>   | \$(3,452,410)  |
| Related to investing activities          | <b>\$8,393,010</b>   | \$2,085,460   | <b>\$(348,991)</b> | \$(14,752,756) |

### 9. Share capital:

At September 30, 2016 the Company was authorized to issue an unlimited number of common shares and preferred shares without nominal or par value.

On July 12, 2016, the Company completed a bought deal financing by issuing 20,110,050 common shares at \$3.66 per share for total gross proceeds of \$73,602,783. This included an over-allotment option that was exercised for 2,623,050 common shares. Certain officers, directors and employees acquired 99,950 common shares for gross proceeds of \$365,817.

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On July 12, 2016, the Company also issued 1,952,000 flow-through common shares, related to Canadian development expenditures, at \$4.10 per share for total gross proceeds of \$8,003,200. Certain officers, directors and employees acquired 4,900 flow-through common shares for gross proceeds of \$20,090. Under the terms of the flow-through share agreements, the Company is required to renounce and incur the \$8,003,200 of qualifying oil and natural gas expenditures effective December 31, 2016. As of September 30, 2016 the Company has incurred the full amount of qualifying oil and natural gas expenditures.

On March 18, 2016, the Company completed a bought deal financing by issuing 14,966,100 common shares at \$2.92 per share for total gross proceeds of \$43,701,012. This included an over-allotment option that was exercised for 1,952,100 common shares. Certain officers, directors and employees acquired 281,335 common shares for gross proceeds of \$821,498.

During the nine months ended September 30, 2016 16,000 stock options at \$2.06 per share were exercised for gross proceeds of \$32,960. There were also 12,000 restricted share awards converted to common shares.

### 10. Income (loss) per share:

The following table summarizes the net loss and weighted average shares used in calculating the net loss per share:

|                                   | Three months ended<br>September 30, |                | Nine months ended<br>September 30, |                |
|-----------------------------------|-------------------------------------|----------------|------------------------------------|----------------|
|                                   | 2016                                | 2015           | 2016                               | 2015           |
| Net loss                          | <b>\$(3,194,857)</b>                | \$(15,063,870) | <b>\$(19,398,693)</b>              | \$(22,447,287) |
| Weighted average shares - basic   | <b>134,381,795</b>                  | 99,933,725     | <b>117,263,018</b>                 | 87,532,408     |
| Weighted average shares - diluted | <b>134,381,795</b>                  | 99,933,725     | <b>117,263,018</b>                 | 87,532,408     |
| Net loss per share-basic          | <b>\$(0.02)</b>                     | \$(0.15)       | <b>\$(0.17)</b>                    | \$(0.26)       |
| Net loss per share-diluted        | <b>\$(0.02)</b>                     | \$(0.15)       | <b>\$(0.17)</b>                    | \$(0.26)       |

Per share amounts have been calculated using the weighted average number of shares outstanding. For the three and nine months ended September 30, 2016, 7,612,635 stock options, preferred shares and restrictive stock units were excluded from the diluted earnings per share as they were anti-dilutive. For the three and nine months ended September 30, 2015, 5,700,635 stock options, preferred shares and restrictive stock units were excluded from the diluted earnings per share as they were anti-dilutive.

### 11. Bank debt:

The Company currently has available a revolving credit facility in the amount of \$110 million and a \$10 million operating facility (collectively the "Facility") with a syndicate of lenders. The Facility totaling \$120 million lasts for a 364 day period and will be subject to its next 364 day extension by May 26, 2017. If not extended on May 26, 2017, the Facility will cease to revolve and all outstanding balances will become repayable in one year from that extension date being May 26, 2018.

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The interest rate on both the revolving facility and operating facility is determined through a pricing grid that categorizes based on a net debt to cash flow ratio. The interest rate will vary from a low of the bank's prime rate plus 1.0%, to a high of the bank's prime rate plus 2.5%. The standby fee for the Facility will vary as per a pricing grid from a low of 0.5% to a high of 0.875% on the undrawn portion of the credit facilities. The Facility has been secured by a \$300 million supplemental debenture with a floating charge over all assets. As the available lending limits of the Facility are based on the bank's interpretation of the Company's reserves and future commodity prices, there can be no assurance as to the amount of available facilities that will be determined at each scheduled review. The next review is scheduled to take place on November 30, 2016.

Pursuant to the terms of the Facility, the Company has provided a covenant that at all times its adjusted working capital ratio shall not be less than 1.0 to 1.0. The adjusted working capital ratio is defined under the terms of the credit facilities as current assets excluding derivative assets, including the undrawn portion of the Facility, to current liabilities, excluding any current bank indebtedness and derivative liabilities.

At September 30, 2016, the Company had utilized the Facility in the amount of \$48.6 million and the Company was compliant with its working capital ratio at 2.9 to 1.0. As at September 30, 2016, the Company had letter of guarantees outstanding in the amount of \$43,980 against the Facility.

### 12. Share-based payments:

(a) Preferred share plan:

There are 1,155,007 preferred shares of Tamarack Acquisition Corp. outstanding which are exchangeable into 1,110,584 common shares of the Company (December 31, 2015 – 1,110,584). The preferred shares of Tamarack Acquisition Corp. are fully vested at September 30, 2016 and are exchangeable into common shares of the Company at an exchange price of \$3.12 per common share. An exchange of the preferred shares is at the election of the Company under certain circumstances.

(b) Stock option plan:

Under the Company's stock option and restricted share unit plan it may grant up to 13,702,748 options or restricted share units to its employees, directors and consultants of which 6,823,948 options, preferred shares and restricted stock units have been issued that apply against this maximum amount. Stock options are granted at the market price of the shares at the date of grant, have a five-year term and vest one-third on each of the first, second and third anniversaries from the date of grant. There were no options granted during the period.

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The number and weighted average exercise prices of stock options under the plan are as follows:

|                                 | Number of options | Weighted average exercise price |
|---------------------------------|-------------------|---------------------------------|
| Outstanding, January 1, 2015    | 4,147,386         | \$ 3.70                         |
| Granted                         | 727,000           | 2.84                            |
| Exercised                       | (29,167)          | 3.60                            |
| Forfeited                       | (134,668)         | 2.94                            |
| Expired                         | (41,667)          | 4.44                            |
| Outstanding, December 31, 2015  | 4,668,884         | \$ 3.59                         |
| Exercised                       | (16,000)          | 2.06                            |
| Expired                         | (270,833)         | 4.55                            |
| Outstanding, September 30, 2016 | 4,382,051         | \$ 3.53                         |

The following table summarizes information about stock options outstanding and exercisable at September 30, 2016:

| Range of exercise price | Options outstanding |                                 |   | Options exercisable |                                 |
|-------------------------|---------------------|---------------------------------|---|---------------------|---------------------------------|
|                         | Number outstanding  | Weighted average exercise price | Weighted average remaining contractual life (years) | Number exercisable  | Weighted average exercise price |
| \$ 1.86 – 3.00          | 1,737,051           | \$2.35                          | 2.2   | 1,100,384           | \$2.13                          |
| \$ 3.01 – 5.00          | 2,179,000           | \$3.77                          | 2.3   | 1,369,667           | \$3.72                          |
| \$ 5.01 – 6.82          | 466,000             | \$6.82                          | 2.9   | 310,667             | \$6.82                          |
| <b>\$ 1.86 – 6.82</b>   | <b>4,382,051</b>    | <b>\$3.53</b>                   | <b>2.3</b>  | <b>2,780,718</b>    | <b>\$3.44</b>                   |

### (c) Restricted stock unit plan

The Company has a restricted stock unit plan that allows the board of directors to grant restricted share awards to directors, officers and employees. Subject to terms and conditions of the restricted stock unit plan, each restricted share award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant.

The following table summarizes information about the restricted share awards:

|                                 | Number of awards |
|---------------------------------|------------------|
| Outstanding, January 1, 2015    | 406,500          |
| Granted                         | 1,459,000        |
| Exercised                       | (4,333)          |
| Outstanding, December 31, 2015  | 1,861,167        |
| Exercised                       | (12,000)         |
| Outstanding, September 30, 2016 | 1,849,167        |

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### 13. Commitments and contingencies:

#### (a) Commitments

The following table summarizes the Company's commitments at September 30, 2016:

|  | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | 2023    |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| Office lease                           | 158,429   | 641,312   | 541,718   | 541,718   | 262,535   | -         | -         | -       |
| Take or pay commitments <sup>(1)</sup> | 247,050   | 985,500   | 985,500   | -         | -         | -         | -         | -       |
| Rental fee <sup>(2)</sup>              | 1,292,532 | 5,170,125 | 5,170,125 | 5,170,125 | 5,170,125 | 5,170,125 | 3,299,093 | 714,000 |
| Total                                  | 1,698,011 | 6,796,937 | 6,697,343 | 5,711,843 | 5,432,660 | 5,170,125 | 3,299,093 | 714,000 |

<sup>(1)</sup> Pipeline commitment to deliver a minimum of 300 m3/d of crude oil/condensate subject to a take-or-pay provision of \$9.00/m3. The remaining term is 31 months.

<sup>(2)</sup> Rental fee of \$311,845 per month for a maximum period of 90 months starting in January 2015 relating to four facilities and rental fee of \$119,000 per month for a maximum period of 90 months starting in January 2016 relating to four facilities.

#### (b) Contingencies

The Company, in the normal course of operations, will occasionally become subject to a variety of legal and other claims. Management and the Company's legal counsel evaluate all claims and as necessary, access management's best estimate of costs, if any, to satisfy such claims.

### 14. Subsequent event:

On November 2, 2016, Tamarack announced an arrangement agreement (the "Arrangement Agreement") providing for the acquisition by Tamarack of all of the issued and outstanding common shares of Spur Resources Ltd., which will hold Spur's Viking oil assets at closing (the "Combination"). This transaction will build upon the Company's existing Viking asset base at Redwater and core Cardium assets at Wilson Creek. Under the terms of the Arrangement Agreement, Tamarack will issue an aggregate of approximately 90.1 million common shares of Tamarack and a fixed portion of \$57.3 million in cash. Tamarack will also be assuming Spur's net debt, estimated to be \$25.7 million as at November 30, 2016, after accounting for proceeds from the exercise of all outstanding options of Spur, and severance and transaction costs. Any variance in net debt from the \$25.7 million at November 30, 2016 until closing will adjust the purchase price. Based upon the previous 10-day volume weighted average price at November 2, 2016, of Tamarack of \$3.60 per share, the total consideration payable by Tamarack, including the assumption of debt, will be approximately \$407.5 million. The estimates for share price will be determined at the time of closing along with the other estimates noted above.

Closing of the Combination is expected to occur on or about January 11, 2017 and is subject to the receipt by Tamarack and Spur of all court, stock exchange and other regulatory approvals, receipt of the requisite shareholder approvals of Tamarack and Spur, no material adverse change having occurred in Spur and a number of other matters customary in transactions of this nature. All directors and officers of Spur, representing approximately 34% of the issued and outstanding Spur Shares, have entered into support agreements with Tamarack pursuant to which they have agreed to vote their Spur Shares in favor of the Combination.