TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Balance Sheets
(unaudited)(thousands)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Accounts receivable (note 5)	$32,187	$42,219
Prepaid expenses and deposits	1,606	1,924
Fair value of financial instruments (note 4)	50,055	114
Cross-currency swap (note 14)	1,441	–
	85,289	44,257
Fair value of financial instruments (note 4)	–	275
Property, plant and equipment (note 6)	857,860	1,200,950
Exploration and evaluation assets (note 8)	1,527	1,637
Deferred tax asset	39,369	–
	$984,045	$1,247,119
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$52,962	$37,809
Lease liabilities (note 10)	2,250	2,209
Cross-currency swap (note 14)	–	2,908
Fair value of financial instruments (note 4)	1,804	4,475
	57,016	47,401
Bank debt (note 14)	209,423	192,907
Lease liabilities (note 10)	9,383	9,961
Fair value of financial instruments (note 4)	1,145	–
Decommissioning obligations (note 9)	186,816	184,846
Deferred tax liability	–	38,229
	463,783	473,344
Shareholders' equity:		
Share capital (note 12)	830,248	832,799
Treasury shares (note 12)	(2,039)	(969)
Contributed surplus	49,240	47,811
Deficit	(357,187)	(105,866)
	520,262	773,775
Subsequent event (note 4)		
Commitments (note 16)		
Contingency (note 17)		
	$984,045	$1,247,119

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 months ended March 31, 2020 and 2019
(unaudited)(thousands, except per share amounts)

	2020	2019
Revenue:		
Oil and natural gas (note 5)	$65,872	$95,047
Processing income (note 5)	411	571
Royalties	(8,082)	(10,117)
Realized gain (loss) on financial instruments (note 4)	10,915	(939)
Unrealized gain (loss) on financial instruments (note 4)	51,192	(21,809)
	120,308	62,753
Expenses:		
Production	21,779	21,825
General and administration	3,118	2,960
Stock-based compensation (note 15)	950	1,320
Finance	2,863	3,419
Depletion, depreciation and amortization (note 6 and 8)	39,517	39,352
Impairment of property, plant and equipment (note 7)	381,000	–
	449,227	68,876
Loss before taxes	(328,919)	(6,123)
Deferred income tax recovery	77,598	1,297
Net loss and comprehensive loss	$(251,321)	$(4,826)
Net loss per share (note 13):		
Basic	$(1.13)	$(0.02)
Diluted	$(1.13)	$(0.02)

See accompanying notes to the condensed consolidated interim financial statements.

TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(unaudited)(thousands)

	Number of common shares, net of treasury shares	Share capital	Treasury shares	Contributed surplus	Deficit	Total Shareholders' equity
Balance at January 1, 2019	226,072	$848,249	$(3,377)	$34,554	$(66,855)	$812,571
Settlement of RSUs	163	595	–	(782)	–	(187)
Purchase of common shares for cancellation	(285)	(1,094)	–	411	–	(683)
RSU exercise	443	–	1,252	(1,252)	–	–
Stock-based compensation	–	–	–	1,788	–	1,788
Net loss	–	–	–	–	(4,826)	(4,826)
Balance at March 31, 2019	226,393	$847,750	$(2,125)	$34,719	$(71,681)	$808,663
Balance at January 1, 2020	222,793	$832,799	$(969)	$47,811	$(105,866)	$773,775
Purchase of common shares for cancellation	(664)	(2,551)	–	1,262	–	(1,289)
Purchase of common shares for RSU exercise	(1,841)	–	(2,182)	–	–	(2,182)
RSU exercise	566	–	1,112	(1,112)	–	–
Stock-based compensation	–	–	–	1,279	–	1,279
Net loss	–	–	–	–	(251,321)	(251,321)
Balance at March 31, 2020	220,854	$830,248	$(2,039)	$49,240	$(357,187)	$520,262

See accompanying notes to the condensed consolidated interim financial statements.

TAMARACK VALLEY ENERGY LTD.

Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(unaudited)(thousands)

	2020	2019
Cash provided by (used in):		
Operating:		
Net loss	$(251,321)	$(4,826)
Depletion, depreciation and amortization (note 6 and 8)	39,517	39,352
Stock-based compensation (note 15)	950	1,320
Accretion expense on decommissioning obligations (note 9)	640	1,145
Unrealized (gain) loss on financial instruments (note 4)	(51,192)	21,809
Unrealized loss on foreign exchange	4,398	–
Unrealized gain on cross-currency swap (note 14)	(4,349)	–
Impairment of property, plant and equipment (note 7)	381,000	–
Deferred income tax recovery	(77,598)	(1,297)
Abandonment expenditures (note 9)	(1,785)	(271)
Changes in non-cash working capital (note 11)	6,099	(9,143)
Cash provided by operating activities	46,359	48,089
Financing:		
Change in bank debt (note 14)	12,118	27,932
Purchase of common shares for cancellation (note 12)	(1,289)	(683)
Purchase of common shares for RSU exercises (note 12)	(2,182)	(187)
Purchase of leased asset	–	(22,328)
Repayment of lease liabilities (note 10)	(537)	(1,185)
Cash provided by financing activities	8,110	3,549
Investing:		
Property, plant and equipment additions (note 6)	(73,857)	(71,236)
Exploration and evaluation additions (note 8)	(16)	(7)
Acquisitions	–	(1,074)
Changes in non-cash working capital (note 11)	19,404	20,679
Cash used in investing activities	(54,469)	(51,638)
Change in cash and cash equivalents	–	–
Cash and cash equivalents, beginning of period	–	–
Cash and cash equivalents, end of period	$ –	$ –

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting entity:

Tamarack Valley Energy Ltd. ("Tamarack" or the "Company") is a corporation existing under the laws of Alberta. The Company is engaged in the exploration for, development and production of, oil and natural gas. 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. No assets are held within Tamarack Ridge Resources Inc. or Tamarack Valley Ridge Holdings Ltd. Tamarack is a publicly traded company, incorporated and domiciled in Canada. The address of its registered office is Suite 4300, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5. The address of its head office is currently Suite 600, 425 – 1st Street S.W., Calgary, Alberta, T2P 3L8.

2. Basis of preparation:

Statement of compliance:

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 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, 2019 except as detailed in note 3. 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, 2019.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 12, 2020.

Estimates and judgments:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgments made by management in the preparation of these condensed consolidated interim financial statements were consistent with those applied to the annual consolidated financial statements as at and for the year ended December 31, 2019.

Subsequent to December 31, 2019, global oil prices declined considerably caused by reduced demand driven by the novel coronavirus ("COVID-19") health pandemic and over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments. While the OPEC+ countries have now reached an agreement on production cuts, the macro environment remains weak and considerable uncertainty exists regarding the duration and extent of oil demand destruction from the COVID-19 pandemic. There have also been significant stock market declines, significant volatility in foreign exchange markets, and restrictions on the conduct of business in many jurisdictions. The current challenging economic climate may have significant adverse impacts on the Company, including, but not limited to:

- material declines in revenue and cash flows due to reduced commodity pricing,
- declines in future revenue could result in increased impairment charges to long-term assets,
- increased risk of non-performance by the Company's customers which could materially increase collection risk of accounts receivable and customer defaults on contracts, and
- prolonged demand destruction could negatively impact the Company's ability to maintain liquidity.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect the Company is not known at this time. Estimates and judgements made by management in the preparation of these condensed consolidated interim financial statements are subject to a higher degree of measurement uncertainty during this volatile period. As an understanding of the longer-term impacts of COVID-19 on commodity, credit and equity markets develops, there is amplified potential for changes in these estimates and judgments over the remainder of 2020.

3. New accounting standard:

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations". The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. The concentration test is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The amendments to IFRS 3 are effective for annual reporting periods beginning on January 1, 2020 and apply prospectively. The adoption of this standard had no impact to the Company.

4. Risk management contracts:

It is the Company's policy to economically hedge some oil and natural gas sales, foreign exchange rates and interest rates using 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 based on 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 its expected sales requirements. The Company manages risk for these contracts by engaging with a variety of counterparties, all of which are credit grade banking institutions or large purchasers of commodities in the normal course of business. All counterparties have been assessed for credit worthiness.

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 discounting the difference between the contracted prices and level 2 published forward price curves as at the balance sheet date, using the remaining contracted amounts and a risk-free interest rate (based on published government rates). The fair value of options and swaps are 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 through profit or loss and therefore the carrying amount equals fair value.

At March 31, 2020, the Company held derivative commodity, foreign exchange and interest rate contracts as follows:

Subject contract	Notional quantity	Remaining term	Hedge type	Strike price	Fair value (Cdn $000s)
Crude oil	2,500 bbls/day	April 1, 2020 – June 30, 2020	WTI fixed price	US $32.15	$2,209
Crude oil	3,000 bbls/day	July 1, 2020 – September 30, 2020	WTI fixed price*	US $54.57	$9,014
Crude oil	3,000 bbls/day	October 1, 2020 – December 31, 2020	WTI fixed price*	US $54.57	$7,515
Crude oil	4,400 bbls/day	April 1, 2020 – June 30, 2020	WTI Put	US $58.00	$18,483
Crude oil	1,700 bbls/day	July 1, 2020 – September 30, 2020	WTI Put	US $58.00	$5,916
Crude oil	7,000 bbls/day	April 1, 2020 – December 31, 2020	Edm par diff	US ($7.54)	$6,918
Foreign exchange	4,000,000 US$/mth	April 1, 2020 – June 30, 2020	Exchange rate	Cdn $1.3360	($850)
Foreign exchange	2,000,000 US$/mth	July 1, 2020 – September 30, 2020	Exchange rate	Cdn $1.3715	($242)
Foreign exchange	2,000,000 US$/mth	October 1, 2020 – December 31, 2020	Exchange rate	Cdn $1.3715	($164)
Interest rate	25,000,000 US$/mth	April 1, 2020 – April 24, 2023	Fixed rate	1.90%	($752)
Interest rate	25,000,000 US$/mth	April 1, 2020 – June 14, 2023	Fixed rate	1.75%	($751)
Interest rate	20,000,000 US$/mth	April 1, 2020 – March 13, 2024	Fixed rate	1.06%	($139)
Interest rate	10,000,000 US$/mth	April 1, 2020 – March 26, 2024	Fixed rate	1.02%	($51)
					$47,106

* Extendable for an additional six months (January 1, 2021 – June 30, 2021) at the counter-party's discretion.

At March 31, 2020, Tamarack's commodity, foreign exchange and interest rate contracts were fair valued with a net asset of $47,106 (December 31, 2019 - $4,086 net liability) recorded on the balance sheet. The Company had an unrealized gain of $51,192 recorded in earnings for the three months ended March 31, 2020 (March 31, 2019 - $21,809 unrealized loss).

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 March 31, 2020, the Company held the following physical commodity contracts.

Subject contract	Quantity	Remaining term	Hedge type	Strike price
Natural gas	20,825 GJ/day	April 1, 2020 – October 31, 2020	AECO fixed price	Cdn $1.25
Natural gas	10,000 mmbtu/day	April 1, 2020 – October 31, 2020	NYMEX fixed price	US $2.42

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.

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

Gross Amounts ($ thousands)	**March 31, 2020**	December 31, 2019
Risk management contracts		
Current asset	**$50,055**	$114
Long-term asset	**–**	275
Current liability	**(1,804)**	(4,475)
Long-term liability	**(1,145)**	–
Balance, end of the period	**$47,106**	$(4,086)

Since March 31, 2020, the Company has entered into the following derivative contracts:

Subject contract	Quantity	Term	Hedge type	Strike price
Crude oil	1,000 bbls/day	July 1, 2020 – September 30, 2020	WTI fixed price	US $37.25
Foreign exchange	1,000,000 US$/mth	May 1, 2020 – December 31, 2020	Exchange rate	Cdn $1.4160
Foreign exchange	1,000,000 US$/mth	January 1, 2021 – June 30, 2021	Exchange rate	Cdn $1.4140

Since March 31, 2020, the Company has entered into the following physical contracts:

Subject contract	Quantity	Remaining term	Hedge type	Strike price
Natural gas	5,000 GJ/day	November 1, 2020 – March 31, 2021	AECO fixed price	Cdn $2.26
Natural gas	4,000 mmbtu/day	November 1, 2020 – March 31, 2021	Malin fixed price	US $2.99
Natural gas	2,000 mmbtu/day	November 1, 2020 – March 31, 2021	Michigan fixed price	US $2.85
Natural gas	2,000 mmbtu/day	November 1, 2020 – March 31, 2021	Chicago fixed price	US $3.01
Natural gas	2,000 mmbtu/day	November 1, 2020 – March 31, 2021	Dawn fixed price	US $3.01

In addition, the Company traded out of the 10,000 mmbtu/day physical natural gas contract through a fixed price sales contract of equal and opposite volume for April 1, 2020 – October 31, 2020 at a nominal net financial gain.

5. Revenue:

The Company sells its production pursuant to fixed-price or variable-price contracts. The transaction price for variable-price contracts is based on a benchmark commodity price, adjusted for quality, location or other factors whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver fixed or variable volumes of light oil, heavy oil, natural gas or NGL to the contract counterparty.

Revenue is recognized when the Company gives up control of the unit of production at the delivery point agreed to under the terms of the contract. The amount of revenue recognized is based on the agreed transaction price and the volumes delivered. Any variability in the transaction price relates specifically to Tamarack's efforts to transfer production and therefore the resulting revenue is allocated to the production volumes delivered in the period to which the variability relates. The Company does not have any factors considered to be constraining in the recognition of revenue with variable pricing factors. The Company's contracts with customers generally have a term of one year or less, except in the case of certain natural gas contracts, whereby delivery takes place throughout the contract period. Revenues are normally collected on the business day nearest the 25th day of the month following sale.

The Company's revenues were primarily generated in its core areas: the Cardium oil play in the Wilson Creek/Alder Flats areas of central Alberta; the Viking oil play in central and southern Alberta and west central Saskatchewan; and the Barons Sand oil play in the Penny area of southern Alberta. The Company's customers are oil and natural gas marketers and joint operations partners in the oil and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing volumes to numerous oil and natural gas marketers under customary industry sale and payment terms. As at March 31, 2020, revenue was earned from customers, of which four customers account for $13.0 million of the accounts receivable at March 31, 2020 (December 31, 2019, four customers accounted for $28.7 million).

The following table presents the Company's total revenues disaggregated by revenue source:

Three months ended March 31, ($ thousands)	**2020**	2019
Light oil	**$54,359**	$74,778
Heavy oil	**813**	1,765
Natural gas	**7,755**	12,815
Natural gas liquids	**2,945**	5,689
Oil and natural gas revenue	**$65,872**	$95,047
Processing income	**411**	571
Total revenue	**$66,283**	$95,618

Refer to note 4 for a listing of physical delivery contracts as at March 31, 2020.

Included in accounts receivable at March 31, 2020 was $15.6 million (December 31, 2019 - $34.7 million) of accrued production revenue related to deliveries for the month then ended. There were no significant adjustments for prior period accrued production revenue reflected in the current period. As at March 31, 2020, the Company did not have any contracts for the sale of its future production beyond one year in term, except certain natural gas contracts that expire in 2022.

6. Property, plant and equipment:

($ thousands)	Oil and natural gas interests	Other assets	Total
Cost:			
Balance at January 1, 2019	$1,858,155	$1,585	$1,859,740
Right-of-use assets	37,236	–	37,236
Property acquisitions	10,598	–	10,598
Cash additions	178,678	410	179,088
Decommissioning costs	(8,719)	–	(8,719)
Stock-based compensation	2,384	–	2,384
Transfer from exploration and evaluation assets (note 8)	30	–	30
Disposals	(2,035)	–	(2,035)
Balance at December 31, 2019	2,076,327	1,995	2,078,322
Cash additions	73,802	55	73,857
Decommissioning costs	3,115	–	3,115
Stock-based compensation	329	–	329
Balance at March 31, 2020	$2,153,573	$2,050	$2,155,623
Accumulated depletion, depreciation and impairment losses:			
Balance at January 1, 2019	$643,187	$920	$644,107
Depletion and depreciation	166,049	263	166,312
Disposals	(1,047)	–	(1,047)
Impairment	68,000	–	68,000
Balance at December 31, 2019	876,189	1,183	877,372
Depletion and depreciation	39,328	63	39,391
Impairment (note 7)	381,000	–	381,000
Balance at March 31, 2020	$1,296,517	$1,246	$1,297,763

	Oil and natural gas interests	Other assets	Total
Carrying amounts:			
At December 31, 2019	$1,200,138	$812	$1,200,950
At March 31, 2020	$857,056	$804	$857,860

The calculation of depletion at March 31, 2020 includes estimated future development costs of $658,021 (December 31, 2019 – $700,604) associated with the development of the Company's proved plus probable reserves and excludes salvage value of $73,930 (December 31, 2019 – $70,791).

Certain facilities and surface leases are included in property, plant and equipment as right-of-use assets:

($ thousands)	Processing facilities	Surface leases	Total
As at January 1, 2020	$9,402	$1,736	$11,138
Depletion and depreciation	(469)	(43)	(512)
Impairment (note 7)	(3,123)	(308)	(3,431)
Balance at March 31, 2020	$5,810	$1,385	$7,195

7. Impairment:

At March 31, 2020 impairment of $381.0 million was recorded as a result of a decrease in current and forecast oil, natural gas and NGL prices. The impairment recognized relates to all of the Company's cash-generating units ("CGUs"): the Viking oil CGU was impaired $235.0 million, the Cardium oil CGU was impaired $137.0 million, the Penny oil CGU was impaired $7.0 million and the minor gas CGU was impaired $2.0 million. The recoverable amount of these CGU's as at March 31, 2020, net of decommissioning obligations, was estimated to be $447.9 million for the Viking oil CGU, $137.9 million for the Cardium oil CGU, $81.4 million for the Penny oil CGU and ($11.1) million for the minor gas CGU based on the net present value of before tax cash flows from proved plus probable reserves estimated by the Company's third party reserve evaluator internally updated by the Company to March 31, 2020 for production and forward prices as at that date at discount rates specific to the underlying composition of reserve categories of 10% to 20% (level 3 inputs). The recoverable amounts of all of the CGUs was determined using the fair value less costs of disposal methodology based on what Tamarack estimates it could receive for these assets if it disposed of them in the current environment taking into account lower oil, natural gas and NGL prices. The impairment of $381,000 was allocated to property, plant and equipment in the amount of $377,569 and $3,431 was allocated to the right-of-use asset.

The results of Tamarack's impairment tests are sensitive to changes in: quantities of reserves and future production; forward commodity pricing as forecasted by three independent reservoir engineering companies; development costs; operating costs; royalty obligations; abandonment costs; and discount rates. As such, any changes to these key estimates could decrease or increase the recoverable amounts of assets and result in impairment charges or in the reversal of previously recorded impairment charges.

As at March 31, 2020, all else being equal, a 1% change in the discount rate, a $1.00/bbl Cdn change to oil prices and a $0.10/MMbtu Cdn change to gas prices would result in the following charge to impairment expense being recognized:

Impairment expense ($ million)	1% increase in discount rate	$1.00 Cdn change in oil price	$0.10/MMbtu Cdn change in gas price
Viking oil CGU	$15.9	$17.1	$2.9
Cardium oil CGU	7.9	5.9	5.5
Penny oil CGU	4.1	3.1	0.3
Minor gas CGU	0.3	0.4	0.4
Total	$28.2	$26.5	$9.1

The following benchmark reference price estimates were used in determining whether an impairment or reversal to the carrying value of the CGUs existed at March 31, 2020, based on an average of those forecasted by three independent reservoir engineering companies:

	2020	2021	2022	2023	2024	2025	2026	2027	Thereafter
Exchange rate (US$/Cdn$)(1)	0.7067	0.7283	0.7450	0.7467	0.7483	0.7500	0.7500	0.7500	0.7500
WTI (US$/bbl)(1)	29.17	40.45	49.17	53.28	55.66	56.87	58.01	59.17	+2.0%/yr
Edmonton Par (Cdn$/bbl)(1)	29.22	46.85	59.27	65.02	68.43	69.81	71.24	72.70	+2.0%/yr
AECO (Cdn$/MMbtu)(1)	1.74	2.20	2.37	2.45	2.52	2.60	2.66	2.72	+2.0%/yr

(1) Price forecast, effective April 1, 2020.

8. Exploration and evaluation assets:

($ thousands)	Total
Cost:	
Balance at January 1, 2019	$26,006
Additions	(122)
Transfer to property, plant and equipment (note 6)	(30)
Balance at December 31, 2019	25,854
Additions	16
Balance at March 31, 2020	$25,870
Accumulated amortization and impairment:	
Balance at January 1, 2019	$23,218
Amortization	999
Balance at December 31, 2019	24,217
Amortization	126
Balance at March 31, 2020	$24,343

	Total
Carrying amounts:	
At December 31, 2019	$1,637
At March 31, 2020	$1,527

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.

9. 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 and uninflated amount of cash flows required to settle its decommissioning obligations to be approximately $197.3 million at March 31, 2020 (December 31, 2019 – $195.6 million), which is expected to be incurred between 2021 and 2042. A risk-free rate of 1.3% (December 31, 2019 – 1.8%) and an inflation rate of 0.9% (December 31, 2019 – 1.4%) is used to calculate the present value of the decommissioning obligations at March 31, 2020 as presented in the table below:

($ thousands)	**Three months ended March 31, 2020**	Year ended December 31, 2019
Balance, beginning of the period	**$184,846**	$193,003
Liabilities incurred	**3,115**	12,031
Change in estimates	**–**	(20,750)
Expenditures	**(1,785)**	(3,154)
Liabilities disposed	**–**	(359)
Accretion	**640**	4,075
Balance, end of the period	**$186,816**	$184,846

10. Lease liabilities:

The Company has lease liabilities for contracts related to financing facilities and surface leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates used during the three months ended March 31, 2020 were between 6.8% and 8.8%, depending on the duration of the lease. The following table summarizes lease liabilities at March 31, 2020:

($ thousands)	**March 31, 2020**
Balance, beginning of the period	**$12,170**
Interest expense	**224**
Lease payments	**(761)**
Balance, end of the period	**$11,633**
Current portion	**$2,250**
Long term portion	**$9,383**

Undiscounted cash outflows relating to the lease liabilities are:

($ thousands)	As at March 31, 2020
Less than 1 year	$3,043
Years 2 and 3	6,073
Years 4 and 5	4,213
Thereafter	3,466
Total	$16,795

11. Supplemental cash flow information:

Changes in non-cash working capital consists of:

Three months ended March 31, ($ thousands)	**2020**	2019
Source/(use) of cash:		
Accounts receivable	**$10,032**	$(19,887)
Prepaid expenses and deposits	**318**	(414)
Accounts payable and accrued liabilities	**15,153**	31,837
	$25,503	$11,536
Related to operating activities	**$6,099**	$(9,143)
Related to investing activities	**$19,404**	$20,679

The following are included in cash flows from operating activities:

Three months ended March 31, ($ thousands)	**2020**	2019
Interest paid in cash on bank debt	**$1,949**	$1,707
Bank renewal fees	**–**	56
Interest paid on lease liabilities	**224**	511

12. Shareholders' equity:

a) Share capital:

At March 31, 2020 the Company was authorized to issue an unlimited number of common shares ("Common Shares") and preferred shares without nominal or par value.

b) Normal course issuer bid:

On April 4, 2019, the Company announced that the Toronto Stock Exchange had accepted the Company's intention to commence a normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Company is permitted to purchase up to 8.6 million Common Shares between April 8, 2019 and April 7, 2020. During the three months ended March 31, 2020, the Company purchased and cancelled 0.7 million Common Shares at an average price of $1.94 per Common Share, for a total repurchase cost of $1.3 million.

c) Treasury shares:

During the three months ended March 31, 2020, the Company spent $2.2 million to purchase 1.8 million Common Shares to be used to settle restricted share units ("RSUs") on the date of exercise. As at March 31, 2020, 1,743,646 (December 31, 2019 – 469,120) Common Shares remain classified as treasury shares to be used for future settlements.

13. Loss per share:

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

Three months ended March 31, ($ thousands, except per share amounts)	**2020**	2019
Net loss	**$(251,321)**	$(4,826)
Weighted average shares - basic	**222,048**	226,341
Weighted average shares - diluted	**222,048**	226,341
Net loss per share-basic	**$(1.13)**	$(0.02)
Net loss per share-diluted	**$(1.13)**	$(0.02)

Per share amounts have been calculated using the weighted average number of Common Shares outstanding. For the three months ended March 31, 2020, 14.9 million Common Shares issuable upon the exercise and/or settlement of stock options ("Options"), RSUs, performance share units ("PSUs") and TAC Preferred Shares (as defined below) were excluded from the diluted weighted average number of Common Shares outstanding as they were anti-dilutive due to the net loss. For the three months ended March 31, 2019, 14.7 million Common Shares issuable upon the exercise and/or settlement of Options, RSUs, PSUs and TAC Preferred Shares were excluded in the diluted weighted average number of Common Shares outstanding as they were anti-dilutive due to the net loss.

14. Bank debt:

The Company currently has available a revolving credit facility in the amount of $320 million and a $30 million operating facility (collectively, the "Facility") with a syndicate of lenders. The Facility, totaling $350 million, lasts for a 365-day period and will be subject to its next 365-day extension by May 31, 2020. If not extended on May 31, 2020, the Facility will cease to revolve and all outstanding balances will become repayable in one year from that date.

In November 2018, an accordion feature was added to the lending agreement which allows Tamarack to increase the revolving credit facility to $370 million for a total Facility of $400 million, upon exercise and syndicate approval. The accordion feature bears no fees, including standby, until exercised. As at March 31, 2020, the accordion has not been exercised.

The total interest rate on the Facility is determined through a pricing grid that categorizes based on a net debt-to-cash-flow ratio as defined in the Facility. The interest rate will vary depending on the lending vehicle employed and the Company's current net debt-to-cash-flow ratio. Interest on bankers' acceptances ("BA") and LIBOR Based Loans ("LIBOR") will vary based on a BA/LIBOR pricing grid from a low of the banks' posted rates plus 1.5% to a high of the banks' posted rates plus 3.5%. Interest on prime lending varies based on a prime rate pricing grid from a low of the banks' prime rates plus 0.5% to a high of the banks' prime rates plus 2.5%. The standby fee for the Facility will vary as per a pricing grid from a low of 0.3375% to a high of 0.7875% on the undrawn portion of the Facility. The lending vehicles Tamarack employs from time to time will vary based on capital needs and current market rates. As at March 31, 2020, the Facility was secured by a $1.0 billion supplemental debenture with a floating charge over all assets. As the available lending limits of the Facility are based on the banks' 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 be completed by May 31, 2020.

At March 31, 2020, the Company had utilized the Facility in the amount of $209.4 million (December 31, 2019 - $192.9 million). The interest rate applicable to the drawn amounts as of this date was 3.03%. As at March 31, 2020, the Company had letter of guarantees outstanding in the amount of $0.2 million against the Facility (December 31, 2019 - $0.2 million).

There are no financial covenants governing the Facility. Non-financial covenants include reporting requirements, permitted indebtedness, permitted hedging and other standard business operating covenants.

The Company manages its credit facility using a combination of bankers' acceptance loans and US dollar denominated London Inter-bank Offered Rate ("LIBOR") loans. During the three months ended March 31, 2020, concurrent with the drawdown of US dollar LIBOR loans, the Company entered into cross-currency swaps ("CCS") to fix the foreign exchange on US dollar LIBOR loan amounts for purposes of interest and principal repayments. At March 31, 2020, the Company had drawn US$136.0 million, fixed at notional amounts of $189.9 million through various CCS (December 31, 2019 – the Company had drawn US$141.0 million, fixed at notional amounts of $185.9 million through various CCS).

15. Share-based payments:

(a) Preferred share plan:

There are 740,307 (December 31, 2019 – 1,021,974) preferred shares of Tamarack Acquisition Corp. (the "TAC Preferred Shares") issued and outstanding. At March 31, 2020, the TAC Preferred Shares were fully vested and exchangeable into 711,834 (December 31, 2019 – 982,667) Common Shares at an exchange price of $3.12 per Common Share.

Under the terms of the Company's preferred share plan, a cashless settlement alternative is available, whereby holders of TAC Preferred Shares can either (i) elect to receive Common Shares by delivering cash to the Company in the amount of the TAC Preferred Shares, or (ii) elect to receive a number of Common Shares equivalent to the market value of the TAC Preferred Shares in excess of the TAC Preferred Shares at the exchange price of $3.12 per Common Share. For the three months ended March 31, 2020 no TAC Preferred Shares were exchanged and 281,667 TAC Preferred Shares were forfeited.

(b) Options:

Pursuant to the Company's stock option plan (the "Stock Option Plan") and the Company's performance and restricted share unit plan (the "PRSU Plan"), the Company may grant up to an aggregate of 15.5 million Options, RSUs and PSUs to officers, employees, directors and consultants of the Company or its subsidiaries, as applicable. As at March 31, 2020, there was an aggregate of 14.2 million Options, RSUs and PSUs issued and outstanding.

Options issued under the Stock Option Plan do not have an exercise price of less than the market price of the Common Shares at the time of grant, do not exceed a five-year term and vest one-third on each of the first, second and third anniversaries from the date of grant. There were 0.6 million Options granted during the three months ended March 31, 2020 (December 31, 2019 – 0.4 million).

The fair value of each Option granted during the three months ended March 31, 2020 was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value and weighted average assumptions used to fair value the options are as follows:

	2020
Risk free rate (%)	**0.71**
Expected volatility (%)	**51**
Expected life (years)	**5**
Forfeiture rate (%)	**–**
Dividend ($ per share)	**–**
Fair value at grant date ($ per option)	**0.49**

The number and weighted average exercise prices of the Options are as follows:

	Number of Options (thousands)	Weighted average exercise price
Outstanding, January 1, 2019	2,945	$3.95
Granted	390	2.57
Exercised	(15)	2.75
Expired	(1,127)	5.32
Outstanding, December 31, 2019	2,193	$3.01
Granted	559	1.13
Forfeited	(251)	2.96
Outstanding, March 31, 2020	**2,501**	**$2.59**

The range of exercise prices of the Options outstanding and exercisable at March 31, 2020 is as follows:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding (thousands)	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable (thousands)	Weighted average exercise price
$ 0.64 – 3.00	1,680	$2.16	3.0	851	$2.70
$ 3.01 – 4.15	821	$3.48	1.6	821	$3.48
$ 0.64 – 4.15	**2,501**	**$2.59**	**2.5**	**1,672**	**$3.08**

(c) RSUs:

The PRSU Plan allows the Board of Directors to grant RSUs to officers, employees, consultants and non-employee directors of the Company or its subsidiaries. Each RSU 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. There were 1.9 million RSUs granted during the three months ended March 31, 2020 (December 31, 2019 – 2.5 million).

For the purpose of calculating stock-based compensation, the fair value of each RSU is determined at the grant date using the closing price of the Common Shares. On the date of exercise, the Company has the option of settling the RSU value in cash or in Common Shares of the Company.

The following table summarizes information about the RSUs:

	Number of RSUs (thousands)
Outstanding, January 1, 2019	7,407
Granted	2,533
Exercised	(2,596)
Forfeited	(357)
Outstanding, December 31, 2019	6,987
Granted	1,899
Exercised	(566)
Forfeited	(153)
Outstanding, March 31, 2020	**8,167**
Exercisable, March 31, 2020	**3,497**

(d) PSUs:

The PRSU Plan allows the Board of Directors to grant PSU awards to officers, employees and consultants of the Company or its subsidiaries. Each PSU entitles the holder to an award value on the third anniversary of the date of grant multiplied by a payout multiplier ranging from 0 to 2.0 times. The payout multiplier for performance-based awards will be determined by the Board of Directors based on an assessment of the Company's achievement of predefined corporate performance measures in respect of the applicable period. There were 1.7 million PSUs granted during the three months ended March 31, 2020 (December 31, 2019 – 1.2 million).

For the purpose of calculating stock-based compensation, the fair value of each award is determined at the grant date using the closing price of the Common Shares. On the date of exercise, the Company has the option of settling the PSU value in cash or in Common Shares of the Company.

The following table summarizes information about the PSU awards:

	Number of PSU awards (thousands)
Outstanding, January 1, 2019	983
Awarded	1,211
Forfeited	(37)
Outstanding, December 31, 2019	2,157
Awarded	1,657
Forfeited	(250)
Outstanding, March 31, 2020	**3,564**
Earned, March 31, 2020	**683**
Exercisable, March 31, 2020	**–**

16. Commitments:

The following table summarizes the Company's commitments as at March 31, 2020:

($ thousands)	2020	2021	2022	2023	2024	2025+
Office lease(1)	105	–	–	–	–	–
Take or pay commitments(2)	1,692	2,294	2,340	2,396	–	–
Gas transportation(3)	172	76	–	–	–	–
Total	1,969	2,370	2,340	2,396	–	–

(1) Relates to the operating costs for the office lease which are a non-lease component of lease liabilities.

(2) Pipeline commitment to deliver a minimum of 636 m^3/d of crude oil/condensate subject to a take-or-pay provision of $9.00/$m^3$. The term starts on January 1, 2019 and lasts for 60 months.

(3) Gas transportation costs on long term firm contracts which are in various locations at variable rates.

17. Contingency:

During 2019, the Company was served with a Statement of Claim from two joint interest owners that hold minority interests in a Unit, which is majority owned and operated by the Company. The plaintiffs are seeking judgment in the amount of $56.0 million for unlawful conversion of their minority Unit interests (such amount based upon the alleged value of their minority Unit interests) or alternatively, judgment in the amount of $1.65 million, representing the amounts allegedly owed by the Company plus punitive damages, interest and other costs. The minority Unit owners have also alleged the Company has breached its fiduciary duties owing to the minority Unit owners and that without the approval of the minority Unit owners, the Company has conducted operations within the Unit area and outside of the Unit area without the approval of the minority Unit owners.

The Company has filed a Statement of Defence denying all material allegations of the minority Unit owners. The Company believes the claims are without merit and the amounts are unsubstantiated. Therefore, no provision for any amount has been recorded in these condensed consolidated interim financial statements.