

# Tamarack Valley Energy Ltd. Solidifies Position as the Largest Clearwater Producer with the Acquisition of Deltastream Energy Corp

12.09.2022 | [CNW](#)

## And Announces 25% Monthly Dividend Increase

CALGARY, Sept. 12, 2022 - [Tamarack Valley Energy Ltd.](#) ("Tamarack" or the "Company") (TSX: TVE) is pleased to announce that it has entered into a definitive agreement (the "Agreement") to acquire Deltastream Energy Corporation ("Deltastream"), a privately held pure-play Clearwater oil producer, for total net consideration of \$1.425 billion, consisting of \$825 million in cash, \$300 million in the form of a deferred acquisition payment ("DAP") and \$300 million of equity comprised of approximately 80 million common shares of Tamarack ("Tamarack Shares") at a deemed price of \$3.75 per share (the "Acquisition").

The cash portion of the Acquisition is expected to be funded, in part, through a structurally transformed expansion of our sustainability-linked revolving credit facility, from a revolving \$650 million reserve-based credit facility to a fully-underwritten \$700 million, three year senior secured covenant- based, sustainability-linked revolving credit facility ("SLL Facility"). The remaining cash portion will be funded via a fully-underwritten \$275 million senior secured amortizing two year term loan ("Term Loan"), a \$125 million equity offering, and a proposed additional \$75 million aggregate principal amount of Tamarack's 7.25% senior unsecured sustainability-linked notes due May 10, 2027 ("Notes") on a private placement basis. The DAP will be unsecured and payable in cash over the 18-month period subsequent to close in six installments (\$50 million quarterly) plus 5.75% interest.

Bill Slavin, Managing Director, ARC Financial said: "The Deltastream business is concentrated in the heart of the Clearwater. With this transaction, Tamarack will become the leading public Clearwater business, with an exceptional combined asset base. ARC Financial is excited to be a shareholder in Tamarack and participate in value creation from the Company's Clearwater, Charlie Lake and enhanced oil recovery operations. Tamarack has a demonstrated track record of prudent balance sheet management and capital discipline and is led by a highly respected management team with extensive operational and capital markets experience. Tamarack's proactive approach to the environment, Indigenous partnerships and ethical governance is aligned with ARC's values."

Brian Schmidt, President & CEO of Tamarack, said: "The acquisition of Deltastream solidifies Tamarack as the largest producer in the Clearwater oil fairway. This transaction builds on the Company's core position in the Clearwater, which is recognized as North America's most economic play. Deltastream brings scale and a leading economic development drilling inventory, comprised of high quality, long life assets with low sustaining capital requirements that enhance capital allocation flexibility. This strategic transaction delivers significant accretion to our existing business model and drives increased long-term value creation for our shareholders."

## Acquisition Highlights

- **Acquire Deltastream** - a leading Clearwater producer with a proven track record of operational excellence and a strong commitment to sustainability
- **Optimize Clearwater** - Delivering an estimated \$500 million of additional production through enhanced oil recovery and improved well performance
- **Over 500 net future development locations** - A robust pipeline of high-quality, long-life assets with low sustaining capital requirements
- **Positions Tamarack as the largest producer in the Clearwater** - A leading economic development drilling inventory, comprised of high quality, long life assets with low sustaining capital requirements

Purchase Price (\$MM)	\$1,425
2023E Production (boe/d) <sup>(4)</sup>	23,000
Oil and NGL Weighting	~94%
Drilling Locations <sup>(3)</sup>	>500
2023E EBITDA <sup>(2)</sup> (\$MM)	~\$500

#### Reserves (MMboe)<sup>(5)</sup>

Proved Developed Producing (PDP) 13.4 (93% liquids)

Total Proved Plus Probable (TPP)<sup>(5)</sup> 51.0 (93% liquids)

#### Pro Forma 2023 Guidance

Including the contribution of the Acquisition, Tamarack is providing initial preliminary guidance for 2023.

Preliminary 2023 Guidance <sup>(1)</sup>	Tamarack Post-Acquisition
Average Production <sup>(6)</sup> (boe/d)	68,000 - 72,000
% Oil and NGL	82% - 84%
EBITDA <sup>(2)</sup> (\$MM)	\$1,200 - \$1,400
Capital Budget (\$MM)	\$400 - \$450
2023E Year-end Net Debt / EBITDA <sup>(2)</sup>	~0.7x

#### Dividend Increase and Return of Capital Framework

##### Base Dividend Increase

In conjunction with the Acquisition, Tamarack's Board of Directors has approved a 25% increase to the monthly dividend to \$0.0125 per share, from \$0.01 per share previously, which equates to \$0.15 per share on an annual basis, for the November dividend, payable in December. The increase in Tamarack's monthly cash dividend reflects the improvement in sustainable FFF<sup>(2)</sup> per share the Company has generated since implementation of its dividend policy in October 2021. The Company's improved FFF<sup>(2)</sup> per share profile is a cumulative result of enhanced sustainable FFF<sup>(2)</sup> along with the Acquisition, delivers accretion at flat pricing of US\$55/bbl WTI and \$2.50/GJ AECO.

##### Enhanced Return of Capital Update

Following completion of the Acquisition, Tamarack's balance sheet will remain a priority with the first net debt milestone of \$900 - \$1,100 million to trigger the enhanced return of capital. Once achieved, the Company will allocate up to 25% of excess funds flow<sup>(2)</sup> to enhanced returns through share buybacks and/or special dividends. As leverage is reduced, achieving a debt level of \$500 - \$900 million Tamarack expects to increase the enhanced return to up to 50% of the prior quarter excess funds flow<sup>(2)</sup>. Long term, Tamarack targets net debt<sup>(2)</sup> of less than \$500 million, representing approximately 1.0x net debt to quarterly annualized AFF<sup>(2)</sup> at US\$45/bbl WTI and \$2.50/GJ AECO, which would trigger returning up to 75% of excess funds flow to investors through either share buybacks or enhanced dividends.

## Transaction Details

Concurrent with the execution of the Agreement, shareholders of Deltastream representing over 90% of the outstanding common shares of Deltastream executed letters of transmittal accepting Tamarack's offer and tendering their shares in connection with the Acquisition. The Agreement provides for, among other things, a non-solicitation covenant on the part of Deltastream and a termination fee in favor of Deltastream. A copy of the Agreement will be filed on Tamarack's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The Acquisition is expected to close prior to the end of October, subject to certain customary conditions and regulatory and other approvals, including the approval of the Toronto Stock Exchange (the "TSX") and the Commissioner of Competition pursuant to the Competition Act (Canada).

## Lock-Up Period

At closing, Tamarack will enter into a hold period agreement with ARC Financial, who owns approximately 85% of the issued and outstanding common shares of Deltastream (on a non-diluted basis).

Of the Tamarack shares issued to ARC Financial, 50% will be subject to a six month escrow period and 50% of the shares will be subject to a twelve month escrow period.

## Senior Unsecured Notes Offering

Tamarack intends to undertake, subject to market conditions, a proposed offering of at least \$75 million of aggregate principal amount of 7.25% Senior Unsecured Sustainability-linked Notes due May 10, 2027 (the "Notes"), on an exempt private placement basis (the "Private Placement").

The Notes will be issued under the indenture pursuant to which Tamarack previously issued \$200 million aggregate principal amount of 7.25% Senior Unsecured Sustainability-linked Notes due 2027, as supplemented by a supplemental indenture dated as of the Private Placement close, and will form a single series with such previously issued notes. Upon closing of the Notes, a total of \$275 million aggregate principal amount of the 7.25% senior unsecured notes will be outstanding.

Subject to completion of the Private Placement, Tamarack intends to use the net proceeds to fund a portion of the purchase price for the Acquisition.

The Notes are being issued in accordance with Tamarack's Sustainability-Linked Bond Framework (the "SLB Framework"), which sets out certain sustainability performance targets ("SPTs") that are aligned with Tamarack's overall corporate sustainability strategy, including: i) Scope 1 and 2 emissions intensity reductions of 39% by 2025 over the 2020 baseline, and; ii) Indigenous workforce participation of 6% or greater by 2025. Details of the SLB Framework are available on the Company's website. Failure to meet the SPTs will result in a step-up in the interest rate payable of 75 basis points for the emissions reduction SPT and 25 basis points for the Indigenous workforce participation SPT from and including May 10, 2026.

RBC Capital Markets and National Bank Financial Markets are acting as Joint-Bookrunners and Sustainability-Linked Bond Structuring Advisors for the Private Placement. S&P Global Markets has previously provided a second party opinion of the SLB Framework, confirming alignment with the International Capital Market Association's Sustainability-Linked Bond Principles.

The Notes will not be qualified for distribution to the public or registered under the securities laws of any province or territory of Canada or in the United States and will only be offered in the provinces of Canada and in the United States pursuant to applicable private placement exemptions to qualified institutional investors.

Closing of the Private Placement is not conditional upon completion of the Acquisition. In the event the Acquisition is not completed, Tamarack may use the net proceeds of the Private Placement to reduce indebtedness, fund future acquisitions and for general corporate purposes. Prior to the closing of the Acquisition, the net proceeds may, from time to time, be invested in interest bearing deposits or in short-term interest bearing or discount debt obligations or other short-term investments (in each case, either Canadian or U.S. dollars).

## Transaction Financing

The Company has entered into a binding commitment letter for the SLL Facility and the Term Loan with the Royal Bank of Canada and National Bank of Canada, pursuant to which such lenders have agreed to fully underwrite and commit to, with a syndicate of lenders, availability of the SLL Facility and Term Loan in connection with the closing of the Acquisition. The SLL Facility and the Term Loan will each be secured by all of the assets of the Company (including those of Deltastream), bear interest at market rates that fluctuate plus a margin based on the senior debt to EBTIDA ratio of the Company and include customary debt covenants for lending arrangements of this nature. The SLL Facility will mature on the date that is 3 years following the closing of the Acquisition and the Term Loan will mature on the date that is 2 years following the closing of the Acquisition. A portion of the proceeds from the SLL Facility and the full amount of the Term Loan will be used to fund: (a) a portion of the purchase price for the Acquisition and related transaction costs; (b) the replacement of the Company's current credit facility; and (c) for general corporate purposes.

## Advisors

RBC Capital Markets is acting as exclusive financial advisor to Tamarack with respect to the Acquisition.

CIBC Capital Markets and Peters & Co. Limited are acting as strategic advisors to Tamarack with respect to the Acquisition.

Tudor Pickering Holt & Co. and National Bank Financial Inc. are acting as co-financial advisors to Deltastream with respect to the Acquisition.

Stikeman Elliott LLP is acting as legal counsel to Tamarack with respect to the Acquisition, the Private Placement, the SLL Facility and the Term Loan.

Norton Rose Fulbright Canada LLP is acting as legal counsel to Deltastream.

RBC Capital Markets and National Bank Financial Markets are acting as Joint Bookrunners with respect to the SLL Facility and the Term Loan.

## About Tamarack Valley Energy Ltd.

Tamarack is an oil and gas exploration and production company committed to creating long-term value for its shareholders through sustainable free funds flow generation, financial stability and the return of capital. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily on Charlie Lake, Clearwater and EOR plays in Alberta. Operating as a responsible corporate citizen is a key focus to ensure we deliver on our environmental, social and governance (ESG) commitments and goals. For more information, please visit the Company's website at [www.tamarackvalley.ca](http://www.tamarackvalley.ca).

## Abbreviations

AECO the natural gas storage facility located at Suffield, Alberta connected to TC Energy's Alberta System

bbls/d barrels per day

boe barrels of oil equivalent

boe/d barrels of oil equivalent per day

GJ gigajoule

IFRS International Financial Reporting Standards as issued by the International Accounting Standards Board

MMboe million barrels of oil equivalent

MMcf/d million cubic feet per day

MSW Mixed sweet blend, the benchmark for conventionally produced light sweet crude oil in Western Canada

WTI West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

#### READER ADVISORIES

This press release is not an offer of the securities for sale in the United States. The securities offered have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. No public offering of securities is being made in the United States. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

#### Notes to Press Release

(1) Guidance numbers are based on pricing assumptions of: a WTI price of US\$82.56/bbl; a WCS/WTI differential of US\$17.50/bbl; USD/CAD exchange rate of \$1.3100.

(2) See "Specified Financial Measures"

(3) See "Disclosure of Oil and Gas Information - Drilling Locations"

(4) Comprised of 21,473 bbl/d heavy oil, 134 bbl/d NGL and 8,360 mcf/d natural gas

(5) Reserves have been internally estimated by the Company's internal Qualified Reserve Evaluators ("QRE") and prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the most recent publication of the Canadian Oil and Gas Evaluations Handbook ("COGEH") effective as of September 1, 2022. "Internally estimated" means an estimate that is derived by the Company's internal QRE and prepared in accordance with NI 51-101 and COGEH.

(6) Comprised of 15,200 to 16,100 bbl/d light and medium oil, 38,000 to 40,300 bbl/d heavy oil, 3,300 to 3,600 bbl/d NGL and 69,000 to 72,000 mcf/d natural gas

#### Disclosure of Oil and Gas Information

Unit Cost Calculation. For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does

not represent a value equivalency at the wellhead. This conversion conforms with NI 51-101. Boe may be misleading, particularly if used in isolation.

**Reserves Disclosure.** All reserves information in this press release relating to Assets are internally estimated by the Company's internal qualified reserve evaluators prepared August 15, 2022 effective September 1, 2022 in accordance with NI 51-101 and the COGEH. The estimates of reserves and future net revenue for the Acquisition may not reflect the same confidence level as estimates of reserves and future net revenue for all of Tamarack's properties, due to the effects of aggregation.

All reserve references in this press release are "gross reserves". Gross reserves are a company's total working interest reserves before the deduction of any royalties payable by such company and before the consideration of such company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Tamarack's crude oil, NGL and natural gas reserves, including those of the Assets, provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein.

**Drilling Locations.** This press release discloses drilling locations with respect to the Assets in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Company's internal reserves evaluation as prepared by a member of management who is a qualified reserves evaluator in accordance with NI 51-101 and the COGEH effective September 1, 2022 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on the Company's assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. . Of the total 516 (511.5 net) drilling locations identified herein, 123 (122.0 net) are proved locations, 78 (77.0 net) are probable locations and 315 (312.5 net) are unbooked locations. Unbooked locations have been identified by management as an estimation of Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information assuming completion of the Acquisition. Assuming completion of the Acquisition, there is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by the drilling of existing wells by the Vendor in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

#### Forward Looking Information

This press release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "outlook", "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Tamarack's business strategy, objectives, strength and focus; the new SLL Facility and Term Loan; the completion of the Private Placement on the terms anticipated, or at all, the anticipated use of proceeds of the Private Placement, SLL Facility and Term Loan; the Acquisition; satisfaction or waiver of the closing conditions to the Acquisition; receipt of required regulatory approvals for the completion of the Acquisition (including approval of the TSX and the Commissioner of Competition pursuant to the Competition Act (Canada)); the purchase price of the Acquisition net closing adjustments; the anticipated benefits of the Acquisition, including the impact of the Acquisition on the Company's operations, reserves, inventory and opportunities, financial condition, access to capital and overall strategy; expectations with respect to reserves, oil and natural gas production levels (including the ability to support current production for the next decade), decline rates, abandonment and reclamation obligations, adjusted funds flow, free adjusted funds flow and net debt to quarterly annualized adjusted funds flow relating to the assets to be acquired pursuant to the Acquisition (the "Assets") and Tamarack following the Acquisition; development and drilling plans for the Assets, including the drilling locations associated therewith and timing of results therefrom; expectations regarding the Clearwater; the Company's five year plan, including regular dividends, enhanced dividends and share buybacks; future consolidation activity and organic growth; future intentions with respect to return

of capital; oil and natural gas production levels, adjusted funds flow, free funds flow; anticipated operational results for 2022 and 2023 including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans; the Company's capital program, guidance, budget and capital program for 2022 and 2023; risk management activities, including hedging; enhanced recovery; expectations regarding commodity prices; resiliency of the asset base at lower commodity prices; the performance characteristics of the Company's oil and natural gas properties; the ability of the Company to achieve drilling success consistent with management's expectations; Tamarack's commitment to ESG principles and sustainability; and the source of funding for the Company's activities including development costs. Future dividend payments and share buybacks, if any, and the level thereof, is uncertain, as the Company's return of capital framework and the funds available for such activities from time to time is dependent upon, among other things, free funds flow financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of Tamarack to pay dividends and buyback shares will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facilities.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack, including relating to: the business plan of Tamarack, Deltastream and the Assets; the receipt of all approvals and satisfaction of all conditions to the completion of the Acquisition; the timing of and success of future drilling, development and completion activities; the geological characteristics of Tamarack's properties; the characteristics of the Assets; the successful integration of the Assets into Tamarack's operations; prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the impact of inflation on costs; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; the accuracy of Tamarack's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and Tamarack's ability to execute its plans and strategies.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Tamarack can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: counterparty risk to closing the Acquisition; unforeseen difficulties in integrating the Assets into Tamarack's operations; the risk that future dividend payments thereunder are reduced, suspended or cancelled; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); 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; including increased operating and capital costs due to inflationary pressures; health, safety, litigation and environmental risks; access to capital; the COVID-19 pandemic; and Russia's military actions in Ukraine. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to the annual information form for the year ended December 31, 2021 and management's discussion and analysis for the period ended June 30, 2022 (the "MD&A") for additional risk factors relating to Tamarack, which can be accessed either on Tamarack's website at [www.tamarackvalley.ca](http://www.tamarackvalley.ca) or under the Company's profile on [www.sedar.com](http://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 generating sustainable long-term growth in free funds flow, prospective results of operations and production, weightings, operating costs, 2022 and 2023 capital budget and expenditures, balance sheet strength, adjusted funds flow, free funds flow, netbacks, payout of wells, 2023E EBITDA, 2023E Year-end Net Debt / EBITDA and components thereof, including pro forma the Acquisition, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the

above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Tamarack's future business operations. Tamarack and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. 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. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Tamarack's guidance. The Company's actual results may differ materially from these estimates.

References in this press release to peak rates, IRR, IP30 and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Tamarack.

#### Specified Financial Measures

This press release includes various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable with the calculation of similar measures by other companies.

"2023E year-end net debt / EBITDA (non-IFRS financial ratio)" is calculated as net debt at a point in time divided by EBITDA. Management considers Net Debt to EBITDA an important measure as it is a key metric to identify the Company's ability to fund financing expenses, net debt reductions and other obligations. When this measure is presented quarterly, EBITDA is annualized by multiplying by four. When this measure is presented on a trailing twelve month basis, EBITDA for the twelve months preceding the net debt date is used in the calculation.

"Adjusted funds flow (capital management measure)" is calculated by taking cash-flow from operating activities, on a periodic basis, deducting current income taxes and adding back changes in non-cash working capital, expenditures on decommissioning obligations and transaction costs since Tamarack believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. Tamarack uses adjusted funds flow as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment. Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating loss per share.

"Debt adjusted funds flow (capital management measure)" is calculated as adjusted funds flow divided by adjusted shares outstanding. Adjusted shares outstanding is calculated as actual shares outstanding reduced by the debt repayment in the period, or increased by the debt incurred in the period, divided by the then current share price.

"EBITDA (non-IFRS financial measure)" is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization, adjusted for certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses. The Company considers this metric as key measures that demonstrate the ability of the Company's continuing operations to generate the cash flow necessary to maintain production at current levels and fund future growth through capital investment and to service and repay debt. The most directly comparable IFRS measure to EBITDA is cash provided by operating activities.

"Excess funds flow (capital management measure)" is calculated as free funds flow, less base dividend distributions, deferred acquisition amortization and principal payments, term loan amortization and principal payments and acquisition costs plus disposition proceeds.

"Free funds flow (capital management measure)" (previously referred to as "free adjusted funds flow") is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine Tamarack's ability to improve returns and to manage the long-term value of the business. Free funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating loss per share.

"Free funds flow yield (capital management measure)" is calculated as free funds flow, adjusted for growth (to add back capital in excess of maintenance and ARO capital and to remove the adjusted funds flow associated with growth volumes), plus finance costs, the sum of which is divided by enterprise value, which is calculated as market capitalization (shares outstanding multiplied by the closing market price of the shares on the day referenced) less net debt.

"Free funds flow breakeven (non-IFRS financial measure)" is determined by calculating the minimum WTI price in US/bbl required to generate free funds flow equal to zero sustaining current production levels and all other variables held constant. Management believes that free funds flow breakeven provides a useful measure to establish corporate financial sustainability.

"Net debt (capital management measure)" is calculated as bank debt plus working capital surplus or deficit, plus other liability, including the fair value of cross-currency swaps and excluding the fair value of financial instruments and lease liabilities.

Please refer to the MD&A for additional information relating to specified financial measures including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. The MD&A can be accessed either on Tamarack's website at [www.tamarackvalley.ca](http://www.tamarackvalley.ca) or under the Company's profile on [www.sedar.com](http://www.sedar.com).

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