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# Tamarack Valley Energy Ltd. Announces 2012 Second Quarter Financial and Operating Results and a Credit Facility Increase

**Calgary, Alberta – August 16, 2012** – Tamarack Valley Energy Ltd. ("**Tamarack**" or the "**Company**") has filed its unaudited condensed consolidated financial statements for the three and six months ended June 30, 2012 ("Financial Statements") and management's discussion and analysis ("MD&A") on SEDAR. Selected financial and operational information is outlined below and should be read in conjunction with the Financial Statements and related MD&A which are accessible on Tamarack's website at www.tamarackvalley.ca or on SEDAR's website at www.sedar.com.

**Q2 2012 Results**

Tamarack is pleased to announce its second quarter financial highlights as follows:

- Production increased by 152 percent to 2,193 boe/d in Q2/12 from 869 boe/d in Q2/11 and increased by 77% from 1,242 boe/d in Q1/12
- Crude oil and natural gas liquids production weighting increased to 42% in Q2/12 from 32% in Q1/12
- The acquisition of Echoex Ltd. closed on April 17, 2012, contributing 719 boe/d of base production to the second quarter production average
- Funds from operations for the second quarter of 2012 was $2.8 million (after deducting Echoex transaction costs of $950,961)
- Operating netbacks increased by 13% to $23.69/boe from $20.94/boe in Q1/12 despite a reduction in realized commodity prices

Tamarack is pleased to announce its second quarter operational highlights as follows:

- 5 (4.7 net) successful oil wells were drilled during the second quarter, one well in Lochend (1.0 net Cardium oil) and four in Redwater (3.7 net Viking oil).
- Lochend 2-29 well 30 day oil rate of 575 bbls/d, contributed 184 bbls/d to the quarter average
- 4 (3.7 net) successful Viking oil wells achieved a 30 day oil rate average of 90 bbls/d per well, contributing 76 bbls/d to the quarter average

During the second quarter, Tamarack enjoyed continued Cardium oil drilling success at Lochend and on its newly acquired Viking oil asset in Redwater. Based on field estimates, Tamarack averaged 2,365 boe/d in May and June. Tamarack's 2012 production guidance, disclosed on April 19, 2012, assumed the

Company would average 2,049 boe/d in the second quarter of 2012 compared to the actual production of 2,193 boe/d. The increase versus guidance was due in part to achieving better than expected drilling results and Tamarack's ability to bring new production on-stream faster than originally anticipated. Tamarack's average 2012 production guidance remains unchanged at 2,000 to 2,200 boe per day.

The Company also drilled 2.0 (1.05 net) operated Cardium oil wells in the Garrington area during the second quarter and 2.0 net heavy oil wells in Manitou Lake. Both Garrington wells were stimulated with multi-stage slick water fracture treatments in July and are currently being tied into a multi-well battery with natural gas conservation capabilities. The Company anticipates the announcement of the Garrington drilling results in September 2012. Tamarack expects to complete and test both heavy oil wells during the third quarter and also expects to drill another 2.0 (1.0 net) non-operated wells in the Lochend area targeting Cardium oil during the third quarter.

**Financial & Operating Results**

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | % change | **2012** | 2011 | % change |
| ***($, except share numbers)*** | | | | | | |
| Total Revenue | **7,857,023** | 3,437,351 | 129 | **11,939,911** | 5,757,636 | 107 |
| Funds from (used in) operations [1] | **2,808,620** | 2,242,305 | 25 | **4,486,737** | 2,893,009 | 55 |
| Per share – diluted [1] | **0.10** | 0.14 | (29) | **0.21** | 0.21 | – |
| Net income (loss) | **564,724** | 234,835 | 140 | **(1,130,296)** | (484,330) | 133 |
| Per share – basic | **$ 0.02** | **$ 0.02** | | **(0.05)** | (0.03) | |
| Per share – diluted | **$ 0.02** | **$ 0.01** | | **(0.05)** | (0.03) | |
| Working Capital (deficiency) [2] | **(40,665,385)** | 1,303,269 | (3,220) | **(40,665,385)** | 1,303,269 | (3,220) |
| Total assets | **145,511,139** | 57,890,450 | 151 | **145,511,139** | 57,890,450 | 151 |
| Capital Expenditures [3] | **9,993,322** | 11,357,186 | (12) | **16,663,252** | 21,866,321 | (24) |
| **Weighted average shares outstanding** | | | | | | |
| Basic | **27,366,405** | 15,442,250 | 77 | **21,881,218** | 13,952,228 | 57 |
| Diluted | **27,366,405** | 15,809,971 | 73 | **21,881,218** | 13,952,228 | 57 |
| **Average daily production** | | | | | | |
| Crude oil and NGLs (bbls/d) | **914** | 230 | 297 | **657** | 175 | 275 |
| Natural gas (mcf/d) | **7,672** | 3,835 | 100 | **6,359** | 3,927 | 62 |
| Total (boe/d) | **2,193** | 869 | 152 | **1,717** | 830 | 107 |
| **Average sale prices** | | | | | | |
| Crude oil and NGLs ($/bbl) | **78.19** | 96.49 | (19) | **79.98** | 92.77 | (14) |
| Natural gas ($/mcf) | **1.94** | 4.07 | (52) | **2.05** | 3.97 | (48) |
| Total ($/boe) | **39.38** | 43.46 | (9) | **38.21** | 38.36 | (0) |
| **Operating netbacks ($/boe)** | | | | | | |
| Average realized sales | **39.38** | 43.46 | (9) | **38.21** | 38.36 | (0) |
| Royalty expenses | **(2.03)** | 3.92 | (152) | **(1.80)** | 0.44 | (510) |
| Production expenses | **(11.76)** | (10.44) | 13 | **(11.00)** | (10.01) | 10 |
| Operating field netback | **25.59** | 36.94 | (31) | **25.41** | 28.79 | (12) |

Notes:
[1] Funds from operations is a non-GAAP measure and is calculated as cash flow from operating activities before the change in non-cash working capital and abandonment expenditures.

[2] Working capital (deficiency) includes accounts receivable, prepaid expenses and deposits, bank debt and accounts payable and accrued liabilities, but exclude the future value of financial instruments.

[3] Capital expenditures include property acquisitions and are presented net of disposals, but exclude corporate acquisitions.

**Increased Credit Facility**

Tamarack is also pleased to announce that subsequent to June 30, 2012, the Company increased its operating demand line of credit and non-revolving acquisition/development demand line to a total of $65 million from $45 million. The credit facility has been secured by a $155,000,000 debenture with a floating charge over all of Tamarack's assets. The next scheduled review is December 1, 2012.

**About Tamarack Valley Energy Ltd.**

Tamarack is an oil and gas company involved in the identification, evaluation and operation of resource plays in the Western Canadian sedimentary basin. The Company uses a rigorous, proven modeling process to carefully manage risk and identify growth opportunities. Tamarack's diversified suite of oil-focused assets provides exposure to the high impact Cardium light oil resource plays in Lochend, Garrington/Harmattan and Buck Lake in Alberta, low cost Viking light oil resource plays in Redwater, Foley Lake and Westlock in Alberta and highly economic heavy oil opportunities southeast of Lloydminster in Saskatchewan.

**Unit Cost Calculation**

For the purpose of calculating unit costs, natural gas volumes have been converted to a barrel of oil equivalent ("boe") using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with Canadian Securities Regulators' National Instrument 51–101 Standards of Disclosure for Oil and Gas Activities. Boe's may be misleading, particularly if used in isolation.

**Forward Looking Information**

This press release contains certain forward-looking statements. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "attempts" , "equates" , "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information. More particularly, this press release contains statements concerning Tamarack's anticipated production, future drilling plans and expected announcement of future drilling results.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Tamarack relating to prevailing commodity prices, the availability of drilling rigs, the timing of past operations and activities in the planned areas of drilling, 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, the continued availability of capital and skilled personnel, the ability to maintain or grow the banking facilities and the accuracy of Tamarack's geological interpretation of its drilling and land opportunities. Although management considers these assumptions to be reasonable based on information currently available to it, 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 involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These risks and uncertainties include, but are not limited to: risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures); commodity prices; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses; health, safety, litigation and environmental risks; and access to capital. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to Tamarack's revised Annual Information Form ("AIF") dated April 23, 2012 for additional risk factors relating to Tamarack. The AIF is available for viewing under the Company's profile on www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.



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