Tamarack Valley Energy and Headwater Exploration Announce $10 Billion Strategic Combination to Create a Premier North American Oil Producer and a New Growth-Oriented Exploration Company

Calgary, Alberta – September 8, 2026 – Tamarack Valley Energy Ltd. (TSX: TVE) ("Tamarack") and Headwater Exploration Inc. (TSX: HWX) ("Headwater") are pleased to announce they have entered into a definitive arrangement agreement whereby the two companies will merge in an all-stock transaction valued at $10 billion (the "Transaction"), creating a premier North American oil company that combines top-tier profitability with an unmatched position as the only publicly-traded pure-play Clearwater producer.

Under the terms of the Transaction, Headwater shareholders will receive 1.0 common share of Tamarack for each Headwater common share held, resulting in Tamarack issuing a total of 237.8 million common shares to acquire all of the issued and outstanding common shares of Headwater. Following the closing of the Transaction, Tamarack shareholders will own 66.5% and Headwater shareholders will own 33.5% of the total common shares outstanding in the combined entity. The combined company, led by current Tamarack management, is expected to have run-rate pro forma Clearwater production of >80,000 boe per day(2), net cash(1) of >$50 million and available funding(1) of >$1.2 billion. In connection with the Transaction, Tamarack plans to increase its quarterly dividend by 20% from $0.05 per share to $0.06 per share ($0.24 per share annualized), commencing December 2026.

The Transaction brings together two leading Clearwater producers, each characterized by low-cost, high-margin production, low corporate decline rates, modest reinvestment requirements and low corporate breakeven oil prices. The combined business will benefit from decades of Clearwater drilling and waterflood inventory, meaningful operating and capital synergies and greater scale across the play. Shareholders will have exposure to a unique and differentiated value proposition from the enhanced efficiency, profitability and durability of a combined Clearwater asset base. The Transaction is expected to be immediately accretive to Tamarack's free funds flow per share(1), enhance its five-year plan and position the combined company to deliver higher total returns to shareholders.

In addition, certain non-core exploration assets will be transferred into Tributary Exploration Inc. ("Tributary Exploration"), a new exploration company, providing Tamarack and Headwater shareholders with continued exposure to these prospective assets under the leadership of the current Headwater management team.

Highlights of the Transaction

- **Differentiated Clearwater Focus -** The Transaction will establish Tamarack as a premier North American oil producer valued at $10 billion with exceptional economics. Tamarack will be a differentiated market leader as the only publicly-traded pure-play Clearwater company and the largest Clearwater producer. The combined company will create a highly contiguous core land position at Marten Hills, Nipisi and Marten Hills West bringing together two complementary asset bases with significant depth of quality inventory.

- **Enhanced Scale & Depth of Quality Inventory -** The Transaction is expected to result in a pro forma land position of >1,500 sections across the greater Clearwater fairway, >300 million boe of proved and probable reserves(2) across all formations, low-decline run-rate production(2) of >80,000 boe per day and >3,000 identified drilling locations(2), supporting a long runway of high-quality development inventory. The Transaction more than doubles Tamarack's existing footprint at Pelican and Seal, providing the combined company with greater exposure to upside potential on prospective Clearwater and Wabiskaw targets in the Greater Clearwater fairway.

- **Immediately Accretive to Financial and Operating Metrics -** The Transaction is expected to be immediately accretive to Tamarack's free funds flow per share of >10% and its existing five-year plan, while also improving Tamarack's operating profile through a lower 2027 decline of 15% and a reduced free funds flow breakeven cost(1) of US$37 per bbl (unhedged).

- **Leading Financial Strength & Capital Allocation Flexibility -** At closing, the combined company is expected to have net cash(1) of >$50 million and available funding(1) of >$1.2 billion providing substantial flexibility to fund development, return capital to shareholders and pursue strategic opportunities while maintaining balance sheet strength. Available funding is expected to include a fully undrawn credit facility of $875 million maturing in May 2030.

- **Meaningful Synergy Capture -** The combined company is expected to realize immediate synergies through the integration of operations, marketing and corporate offices. Near-term synergies are also expected through the consolidation and streamlining of the combined company's exploration and development programs starting in 2027. Run-rate synergies are expected to be over $50 million per year, or greater than $350 million over the development plan.

- **Enhanced Shareholder Returns -** In connection with the Transaction, Tamarack plans to increase its quarterly dividend by another 20% from $0.05 per share to $0.06 per share ($0.24 per share annualized), commencing December 2026. This represents Tamarack's second dividend increase in 2026 demonstrating the strength of the combined business and commitment to shareholder returns. The increase to Tamarack's dividend is contingent upon the closing of the Transaction.
- **Continued Shared Upside Participation -** Shareholders of both Tamarack and Headwater will retain exposure to emerging exploration and development opportunities through Tributary Exploration, a newly formed company led by the current Headwater management team. Tributary Exploration is expected to be publicly-listed and well capitalized to fund emerging exploration opportunities.

Pro Forma Outlook

On a pro forma basis, Tamarack expects full year 2026 corporate production[(2)] to average 65,500 - 67,500 boe per day, a 7% increase over previous guidance, reflecting the impact of the Transaction, which is expected to close mid-way through the fourth quarter of 2026. Run-rate production[(2)] of the combined company is >80,000 boe per day. Assuming completion of the Transaction, Tamarack's full year 2026 capital program is expected to be $450 - 470 million reflecting incremental spending associated with Headwater's planned capital program following the Transaction closing. The 2026 combined capital investment programs of both companies for the full year are expected to be approximately $700 million.

Tamarack expects to remain flexible with significant optionality and balance sheet strength to maximize total shareholder returns across commodity price cycles. In the near-term, the combined company is expected to continue executing a disciplined capital management strategy targeting a balanced allocation of Clearwater growth of 10-12% through its five-year plan (up from 8-10% for Tamarack prior to the Transaction) and enhanced shareholder returns in the form of an increased dividend and share buybacks.

Egress Update

Following the Transaction, Tamarack will be positioned to accommodate expected growth in its Clearwater production with existing and planned pipe-connected transportation egress into Edmonton, Alberta. Tamarack has also secured 35,000 barrels per day of potential long-term egress out of Alberta. 25,000 bbl per day of Trans Mountain service to the west coast is expected to commence in the first quarter of 2027, subject to the completion of the Drag Reducing Agent expansion. 10,000 bbl per day of capacity on the proposed South Bow Prairie Connector pipeline will provide exposure to Cushing, Oklahoma and the US Gulf Coast, potentially starting by the end of 2028 if the project is approved and constructed. These expanded egress options provide Tamarack with an opportunity to mitigate the risk of local capacity constraints and obtain greater exposure to diversified oil markets to enhance margins over the long-term.

Tributary Exploration

As part of the Transaction, certain Mannville-stack exploratory mineral rights in Alberta, prospective thermal heavy oil opportunities at Handel, Saskatchewan and the legacy McCully natural gas production in New Brunswick (collectively, the "Tributary Exploration Assets"), will be transferred from Headwater and Tamarack into Tributary Exploration.

In connection with the closing of the Transaction and the transfer of the Tributary Exploration Assets, the capitalization of Tributary Exploration is expected to consist of a total of approximately 237.8 million common shares and 47.6 million share purchase warrants (the "Arrangement Warrants") with a defined net asset value of $0.42 per share. Under the Transaction, Tamarack shareholders will receive approximately 0.33 of a Tributary Exploration share per Tamarack share and Headwater shareholders will receive approximately 0.33 of a Tributary Exploration share per Headwater share and as a result, Tamarack shareholders will own approximately 66.5% and Headwater shareholders will own approximately 33.5% of the total common shares outstanding of Tributary Exploration, with such percentages being equal to their relative ownership of the combined company at closing of the Transaction[(6)].

Headwater shareholders will also receive 0.20 of an Arrangement Warrant per Headwater share. Assuming all Arrangement Warrants are exercised by Headwater shareholders, Tamarack shareholders will own approximately 55.4% and Headwater shareholders will own approximately 44.6% of the total common shares outstanding of Tributary Exploration (prior to closing of the Tributary Exploration Private Placement (as defined below)). Each whole Arrangement Warrant will entitle the holder to acquire one Tributary Exploration share at an exercise price equal to Tributary Exploration's defined net asset value of $0.42 per share for a period of 60 days following closing.

Following closing of the Transaction, it is expected that Tributary Exploration will complete a non-brokered equity private placement financing (the "Tributary Exploration Private Placement") for up to a total of 71.4 million units at a price of $0.42 per unit for aggregate gross proceeds of up to $30 million. The Tributary Exploration Private Placement will be offered to executive officers, directors and staff of Tributary Exploration. Each unit will consist of one Tributary Exploration common share and one Tributary Exploration purchase warrant with each warrant entitling the holder to acquire one common share of Tributary Exploration at an exercise price of $0.42 per share for a period of four years from the issuance date (subject to performance vesting thresholds based on the trading price of the Tributary Exploration common shares).

Tributary Exploration is expected to be a publicly listed exploration and development company operated by the current management team of Headwater. The Tributary Exploration Assets will be comprised of Headwater's New Brunswick McCully gas asset which has generated an average of $17 million per year in cash flow[(1)] over the past three winter producing seasons[(3)], in addition to 168,000 acres of undeveloped Mannville conventional and thermal prospects in Alberta and Saskatchewan.

Tributary Exploration net asset value (millions, except per share amounts)		**At closing**
Total proved plus probable reserves (NPV10%AT)[(4)]	**$**	**88.3**
Undeveloped land[(5)]	**$**	**12.4**
Total Tributary Exploration net asset value	**$**	**100.7**
Total outstanding Tributary Exploration shares[(6)]		**237.8**
Net asset value per share[(6)]	**$**	**0.42**

Assuming the closing of the Tributary Exploration Private Placement and the full exercise of the Arrangement Warrants, Tributary Exploration will be well capitalized with approximately $50 million of cash[(7)] for organic development of current acreage, strategic land sales and acquisitions. Tributary Exploration expects to pursue oil weighted assets in western Canada that are rich in organic opportunity and provide stable free cash flow, backstopping the team's relentless pursuit of shareholder returns.

With a proven track record of outsized shareholder returns, precise execution and strong balance sheet stewardship, the Tributary Exploration team, led by Neil Roszell, as Executive Chair, and Jason Jaskela, as President and Chief Executive Officer, is excited for the opportunities ahead. In addition to Mr. Roszell and Mr. Jaskela, the Board of Directors for Tributary Exploration is expected to be comprised of Kevin Olson, Chandra Henry, Steve Larke, Kam Sandhar, and Cheree Stephenson who are all current members of the Headwater Board of Directors.

In connection with the Transaction, the Tributary Exploration common shares are expected to be consolidated on a five-to-one basis following the issuance of Tributary Exploration securities pursuant to the Transaction and the Tributary Exploration Private Placement. The listing of the Tributary Exploration common shares on a stock exchange will be subject to Tributary Exploration fulfilling all the listing requirements of such stock exchange.

Timing, Approvals & Governance

The Transaction will be completed through a plan of arrangement in respect of the shares of Tamarack and Headwater under the Business Corporations Act (Alberta) and is subject to the approval of the Transaction by: (i) at least two-thirds of the votes cast by holders of Tamarack common shares and by holders of Headwater common shares; and (ii) a simple majority of the votes cast by holders of Headwater common shares after excluding the votes cast by any holders of Headwater common shares required to be excluded under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*. The issuance of Tamarack common shares pursuant to the Transaction is also subject to the approval of the majority of the votes cast by holders of Tamarack common shares. Closing of the Transaction will be subject to approval by the Court of King's Bench of Alberta as well as other customary closing conditions, including the receipt of approval under the *Competition Act* (Canada) and Toronto Stock Exchange ("TSX") approvals. In addition, the Tributary Exploration Private Placement will require approval by the majority of votes cast by holders of Headwater common shares (after excluding the votes of directors, officers and staff of Tributary Exploration that are participating in the Tributary Exploration Private Placement) and Tamarack common shares.

An independent committee (the "Independent Committee") of the Board of Directors of Headwater was formed to consider and review the Transaction on behalf of the Headwater Board of Directors. Based on, among other things, the unanimous recommendation of the Independent Committee, the Board of Directors of Headwater unanimously determined, among other things, that the Transaction and the entering into of the arrangement agreement are in the best interests of Headwater, the Transaction is fair to the Headwater shareholders and approved the arrangement agreement, and has unanimously recommended that Headwater shareholders vote in favor of the resolution to approve the Transaction at the special meeting of Headwater shareholders expected to be held in November 2026.

The Board of Directors of Tamarack unanimously determined that the Transaction and the entering into of the arrangement agreement are in the best interests of Tamarack, the Transaction exchange ratio is fair to the Tamarack shareholders and approved the arrangement agreement, and has unanimously recommended that Tamarack shareholders vote in favour of the resolution to approve the Transaction and the issuance of Tamarack common shares pursuant to the Transaction at the special meeting of Tamarack shareholders expected to be held in November 2026.

Following closing of the Transaction, Tamarack and Tributary Exploration will operate independently and will each continue to be headquartered in Calgary, Alberta. Jason Jaskela, President and Chief Executive Officer of Headwater and one other individual nominated by Headwater, and agreed upon by Tamarack, will be appointed to the Board of Directors of Tamarack at closing.

All directors and officers of Headwater, who own approximately 6% of the issued and outstanding common shares of Headwater and all directors and officers of Tamarack, who own approximately 2% of the issued and outstanding common shares of Tamarack, have entered into support agreements pursuant to which they have agreed to vote in favour of the Transaction.

At closing, Tamarack will enter into lock-up agreements with certain directors and officers of Headwater who, following completion of the Transaction, will collectively hold or exercise control over approximately 2% of the issued and outstanding Tamarack common shares. Pursuant to the lock-up agreements, each such person will agree not to sell or trade the Tamarack common shares received pursuant to the Transaction, except as follows: (i) 1/3 of such Tamarack common shares shall be eligible for disposition on the date that is three months after the closing of the Transaction; (ii) 1/3 of such Tamarack common shares shall be eligible for disposition on the date that is six months after the closing of the Transaction; and (iii) the remaining 1/3 of such Tamarack common shares shall be eligible for disposition on the date that is nine months after the closing of the Transaction.

A copy of the arrangement agreement will be filed on the SEDAR+ profiles of Tamarack and Headwater and will be available for viewing at www.sedarplus.ca. A joint information circular, which will include details of the Transaction, is expected to be mailed to Tamarack and Headwater shareholders in October 2026.

Leadership Transition

Tamarack is pleased to announce that Steve Buytels, current President of Tamarack, will be promoted to President and Chief Executive Officer and join the Board of Directors of the combined company. Mr. Buytels joined Tamarack in March 2020 as Chief Financial Officer and was promoted to President in July 2025. Tamarack is progressing their CEO transition plan, the culmination of a thorough succession planning process that will position the combined company for the future. Brian Schmidt, Tamarack's founding Chief Executive Officer since August 2009, will transition to Executive Chairman of the Board. These appointments are expected to be effective January 1, 2027.

Conference Call

Tamarack will host a joint webcast with members of the leadership teams of Tamarack and Headwater at 7:30 AM MDT (9:30 AM EDT) on Tuesday, September 8, 2026, to discuss the Transaction. Participants can access the live webcast through links provided on the corporate websites of Tamarack and Headwater. An archive of the webcast will also be made available on the corporate websites of Tamarack and Headwater. New presentations outlining the combination and Tributary Exploration are available on the Tamarack and Headwater websites.

Advisors

National Bank of Canada Capital Markets is acting as exclusive financial advisor to Tamarack with RBC Capital Markets and CIBC Capital Markets acting as strategic advisors and Stikeman Elliott LLP acting as legal counsel. National Bank of Canada Capital Markets has provided a verbal opinion to the Board of Directors of Tamarack that the exchange ratio under the arrangement is fair, from a financial point of view, to Tamarack, subject to the assumptions made and the limitations and qualifications in the written opinion of National Bank of Canada Capital Markets. For Headwater, Peters & Co. Limited is acting as exclusive financial advisor to Headwater and Burnet, Duckworth & Palmer LLP is acting as legal counsel. Peters & Co. Limited has provided a verbal opinion to the Board of Directors of Headwater that, subject to the assumptions made and the limitations and qualifications contained in the written opinion, the total consideration to be received by Headwater shareholders pursuant to the Transaction is fair, from a financial point of view, to Headwater shareholders. In addition, BMO Capital Markets, which was engaged as a financial advisor to the Independent Committee, provided a verbal opinion to the Independent Committee that, subject to the assumptions made and the limitations and qualifications contained in the written opinion, the total consideration to be received by Headwater shareholders pursuant to the Transaction is fair, from a financial point of view, to Headwater shareholders.

About Tamarack Valley Energy Ltd.

Tamarack is a corporation engaged in the exploration, development, production and sale of oil and natural gas in the Western Canadian Sedimentary Basin. In 2026, Tamarack transitioned to become a pure-play Clearwater heavy oil producer, currently developing heavy oil positions at Nipisi, Marten Hills and South Clearwater. Tamarack holds an extensive inventory of low-risk, oil development drilling locations and is pursuing enhanced oil recovery upside across its core asset areas. Tamarack is committed to creating long-term value for its shareholders through sustainable free funds flow generation, financial stability and the return of capital. Tamarack is publicly traded on the TSX under the symbol "TVE". For more information, visit www.tamarackvalley.ca.

About Headwater Exploration Inc.

Headwater is a Canadian resource company engaged in the exploration for and development and production of petroleum and natural gas in Canada. The majority of Headwater's heavy oil production and reserves are located in the Clearwater, Grand Rapids and Wabiskaw formations in the greater Marten Hills area of Alberta, while it also has natural gas production and reserves in the McCully field near Sussex, New Brunswick. Headwater is publicly traded on the TSX under the symbol "HWX". For more information, visit www.headwaterexp.com.

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Reader Advisories

This news release constitutes a joint news release of Tamarack and Headwater issued in connection with the Transaction. Each of Tamarack and Headwater is responsible for the accuracy and completeness of the information relating to itself, its respective properties, operations and securities contained in this news release, and neither party assumes any responsibility for the adequacy or accuracy of information herein relating solely to the other party. Selected financial and operating information should be read with Tamarack's and Headwater's respective unaudited interim consolidated financial statements and related management's discussion and analysis for the period ended June 30, 2026, which are available on SEDAR+ at www.sedarplus.ca and on Tamarack's website at www.tamarackvalley.ca and Headwater's website at www.headwaterexp.com.

Notes to News Release

1. See "Specified Financial Measures".
2. See "Disclosure of Oil and Gas Information".
3. McCully's winter producing season is December 1 to April 30th each year.
4. Representing the net present value of total proved plus probable ("TPP") reserves discounted at 10% after-tax attributed to the Tributary Exploration Assets as evaluated by McDaniel & Associates Consultants Ltd. ("McDaniel") prepared on September 4, 2026, effective September 1, 2026 (the "Tributary Exploration Reserves Report"). Based on the Tributary Exploration Reserves Report, the net present value of the TPP reserves discounted at 10% before tax is $100.6 million. The evaluation of Tributary Exploration's properties was prepared in accordance with the most recent publication of the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). The Tributary Exploration Reserves Report utilizes forecast prices based on the average of McDaniel, Sproule, ERCE and GLJ Ltd. as at July 1, 2026.
5. Representing the undeveloped land value attributed to the Tributary Exploration Assets including the Mannville-stack exploratory mineral rights in Alberta, prospective thermal heavy oil opportunities at Handel, Saskatchewan as internally estimated by management of Headwater.
6. Prior to giving effect to the completion of the Tributary Exploration Private Placement and the exercise of the Arrangement Warrants.
7. Prior to share issuance costs or related fees.

Disclosure of Oil and Gas Information

Unless otherwise indicated, the disclosures in this section apply the oil and gas properties and activities of Tamarack and Headwater and, where expressly indicated, the combined company on a pro forma basis after giving effect to the Transaction. Disclosure relating to the Tributary Exploration Assets is based on the respective interests of Tamarack and Headwater in the Tributary Exploration Assets prior to completion of the Transaction and the proposed transfer of the Tributary Exploration Assets to Tributary Exploration. Unless otherwise indicated, references to the combined company exclude the Tributary Exploration Assets.

Units of measurement

For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using a conversion ratio of six thousand cubic feet of natural gas equal to one barrel of oil 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 equivalency at the wellhead. This conversion conforms with NI 51-101 but may be misleading, particularly if used in isolation.

Product types

References in this news release to "crude oil" or "oil" refer to light, medium and heavy crude oil product types as defined by NI 51-101. References to "natural gas liquids" throughout this news release comprise pentane, butane, propane, and ethane, being all natural gas liquids as defined by NI 51-101. References to "natural gas" throughout this news release refer to conventional natural gas as defined by NI 51-101. The pro forma run-rate Clearwater production of the combined company (on a boe per day basis) is comprised of approximately 94% crude oil and 6% natural gas and natural gas liquids. Tamarack's full year 2026 corporate production (on a boe per day basis) is comprised of approximately 88% crude oil, 10% natural gas and 2% natural gas liquids.

Corporate decline rate

This news release contains metrics commonly used in the oil and natural gas industry, such as corporate decline rate. "Corporate decline rate" represents the percentage decline of Tamarack's production base, excluding production from new wells drilled in the year, and, where the pro forma combined company's corporate decline rate is referenced, represents the percentage decline of the combined production base of Tamarack and Headwater on a pro forma basis giving effect to the Transaction. Corporate decline rate is not a financial measure and does not have a standardized meaning under NI 51-101 or otherwise. This term has been calculated by Tamarack management and may not be comparable to similar measures presented by other companies and, therefore, should not be used to make such comparisons. Management of Tamarack uses this oil and gas metric for its own performance measurements and to provide shareholders with a measure to compare Tamarack's and, following completion of the Transaction, the combined company's operations over time. Readers are cautioned that the information provided by this metric should not be relied upon for investment or other purposes.

Tamarack's and, on a pro forma basis, the combined company's corporate decline rate disclosed in this news release is based on primary and waterflood type curves that are internally estimated by Tamarack's and Headwater's respective management teams and represent estimates of the production decline and ultimate volumes expected to be recovered from wells over the life of the well. The type curves represent what management believes an average well will achieve, based on methodology that is analogous to wells with similar geological features. Individual well results may be higher or lower than the type curve but management expects that, across a larger number of wells, results will come out to approximately the type curve. Over time type curves can and will change based on achieving more production history on older wells or more recent completion information on newer wells. Such type curves are useful in understanding management's assumptions of well performance when making development drilling investment decisions in such areas and assessing the success of the performance of development wells. However, internally prepared type curves do not reflect those used by Tamarack's and Headwater's respective independent qualified reserves evaluators in estimating their reserves volumes and no reserves have been assigned to such internal type curves. There is no certainty that the combined company will ultimately recover the volumes indicated by the internal type curves from the wells it drills. Actual results may vary materially from both the primary and waterflood incremental type curve estimates.

Reserves and Future Net Revenue Disclosures

All reserves values, future net revenue and ancillary information contained in this news release are derived from evaluations by McDaniel prepared in accordance with the definitions, standards and procedures contained in the COGEH and NI 51-101 unless otherwise noted. Headwater's reserves and associated net present value are derived from an independent reserves assessment prepared by McDaniel dated January 15, 2026, evaluating the oil and gas properties of Headwater as at December 31, 2025 (the "Headwater Reserves Report"). Tamarack's reserves and associated net present value are derived from an independent reserves assessment prepared by McDaniel dated January 21, 2026, evaluating the oil and gas properties of Tamarack as at December 31, 2025 (the "Tamarack Reserves Report"). Both the Headwater Reserves Report and the Tamarack Reserves Report utilize forecast prices based on the average of forecast prices of McDaniel, Sproule ERCE and GLJ Ltd. as at January 1, 2026. See additional information above for information on the Tributary Exploration Reserves Report. All reserve references in this news release are "Company Gross Reserves". Company Gross reserves are defined as the applicable company's working interest share of reserves prior to royalty deductions. Estimates of reserves and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves and future net revenue for all properties, due to the effect of aggregation. There is no assurance that the forecast price and cost assumptions applied by McDaniel in evaluating Tamarack's, Headwater's or the Tributary Exploration Assets' reserves, as applicable, will be attained and variances could be material. Other than with respect to Headwater's McCully assets, which are to be transferred to Tributary Exploration, all reserves assigned in the Headwater Reserves Report and the Tamarack Reserves Report are located in the Province of Alberta. For more information relating to the Headwater Reserves Report and the Tamarack Reserves Report, see the annual information forms of Headwater and Tamarack for the year ended December 31, 2025, which are available on SEDAR+ at www.sedarplus.ca. Additional information relating to the Tributary Exploration Reserves Report will be available in the joint information circular to be provided to shareholders of Headwater and Tamarack in connection with approval of the Transaction.

All evaluations and summaries of future net revenue are stated prior to the provision for interest, debt service charges and general and administrative expenses and after the deductions of royalties, operating costs, estimated well abandonment and reclamation costs and estimated future capital expenditures. It should not be assumed that the estimates of future net revenues presented in this news release represent the fair market value of the reserves. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Proved developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty. Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned. Certain terms used in this news release but not defined are defined in NI 51-101, CSA Staff Notice 51-324 – Revised Glossary to NI 51-101 ("CSA Staff Notice 51-324") and/or the COGEH and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 and the COGEH, as the case may be.

Drilling Locations Disclosure

This news release may disclose Clearwater drilling locations in two categories: (i) booked locations; and (ii) unbooked locations. Booked locations are proved and probable locations derived from either the Headwater Reserves Report or the Tamarack Reserves Report, which were prepared in accordance with NI 51-101 and the COGEH. Unbooked locations do not have attributed reserves. Tamarack's unbooked Clearwater locations have attributed contingent or prospective resources, based on the resource report prepared by McDaniel, a qualified independent resource evaluator, effective as of December 31, 2025, in accordance with the definitions, standards and procedures contained in NI 51-101 and COGEH. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Headwater's unbooked Clearwater locations do not have attributed resources.

References in this news release to the pro forma combined company's identified drilling locations (including the greater than 3,000 identified primary drilling locations across the core development areas) represent the aggregate of Tamarack's and Headwater's respective drilling location inventories, on a pro forma basis giving effect to the Transaction. Of Tamarack's Clearwater inventory of >2,000 (net) primary drilling locations, 520 (net) are proved or probable locations, and the remainder are unbooked locations. Of Headwater's Clearwater inventory of >1,000 (net) primary drilling locations, 273 (net) are proved or probable locations, and the remainder are unbooked locations. Unbooked locations have been identified by management as an estimation of the combined company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the combined 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 on which the combined company actually drills wells 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 de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of 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 news release contains certain forward-looking information relating to Tamarack, Headwater and Tributary Exploration (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 "budget", "guidance", "outlook", "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words (including negatives or grammatical variations) suggesting future outcomes. More particularly, this news release contains statements concerning: the business strategy, objectives, strength and focus of the combined company, including the characterization of the combined company as a premier North American oil producer with unparalleled economics; exploration and development plans and strategies of the combined company; the combined company's five-year plan and expected Clearwater growth rate; the anticipated benefits of the Transaction; the anticipated timing for completion of the Transaction; the terms of the plan of arrangement and closing of the Transaction; run-rate production, net (cash) debt and available funding of the combined company; the anticipated terms and availability of the combined company's credit facility; the integration of the businesses, assets, operations, personnel and offices of Tamarack and Headwater; formation of Tributary Exploration and the transfer of the Tributary Exploration Assets to Tributary Exploration; accretive metrics of the combined company and expectations of higher total returns to shareholders, including free funds flow per share, corporate decline rates and free funds flow breakeven costs; the amount, timing and realization of expected synergies of the combined company; various size and scale metrics associated with the combined company, including the depth and quality of drilling inventory; the amount and composition of the combined company's proved and probable reserves; the business strategy, objectives, capitalization, financial position, operations and development plans of Tributary Exploration; the completion and terms of the Tributary Exploration Private Placement, including the pricing, participants, size and anticipated gross proceeds thereof and the terms, vesting conditions and potential exercise of the warrants issued pursuant to the Tributary Exploration Private Placement; the number, terms, exercise price, exercise period and potential exercise of the Arrangement Warrants; the anticipated proceeds from the exercise of the Arrangement Warrants; the expected capitalization and cash of Tributary Exploration; the anticipated use of Tributary Exploration's cash to fund organic development, strategic land sales and acquisitions; Tributary Exploration's business strategy and expected pursuit of oil weighted assets in western Canada; the consolidation of Tributary Exploration common shares, including the anticipated consolidation ratio and timing of the consolidation; the anticipated dividend increase in the first quarter of 2027; the anticipated return of capital through dividends and share buybacks; expected balance sheet strength; the exchange ratio and the number of Tamarack common shares and Tributary Exploration common shares expected to be issued pursuant to the Transaction; the relative ownership interests of Tamarack and Headwater shareholders in the combined company and Tributary Exploration following completion of the Transaction and, in the case of Tributary Exploration, following the exercise of the Arrangement Warrants and completion of the Tributary Exploration Private Placement; plans for Tributary Exploration to achieve a public listing and expectations regarding future financing and issuances of warrants; the terms of lock-up agreements with certain directors and officers of Headwater; the terms of voting support agreements entered into by directors and officers of Tamarack and Headwater; the satisfaction of the conditions to completion of the Transaction, including the receipt of required shareholder, court, regulatory and stock exchange approvals; regulatory and shareholder approvals; board composition of the entities; Tamarack management changes and the anticipated timing thereof; the appointment of Headwater nominees to the Tamarack Board and the anticipated management and board composition of Tributary Exploration; revised pro forma production and capital investment guidance; expected production growth rates of the combined company; the timing and amount of anticipated capital investments; percentage of pro forma production that is pipe-connected; egress on the Trans Mountain and Prairie Connector pipelines; realizing benefits of enhanced egress out of the WCSB; and executing a disciplined capital management strategy and payment of declared dividends.

Future dividend payments and share buybacks, if any, and the level thereof, are uncertain, as the return of capital framework of the combined company and the funds available for such activities from time to time is dependent upon, among other things, free funds flow financial requirements for the combined company's operations and the execution of its strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the combined company's control. Further, the ability of the combined company 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 facility. The amount, timing and frequency of any dividends or share repurchases will be at the discretion of the board of directors of the combined company, and there can be no assurance that the combined company will pay dividends or repurchase shares at the levels or on the timelines currently anticipated, or at all.

The forward-looking statements contained in this news release are based on certain key expectations and assumptions made by Tamarack and Headwater, including those relating to: the business plan of the combined company; execution of the combined company's 2026 budget; the timing and success of future drilling, conversion, development and completion activities; the timing, amount and performance of additional Clearwater capital investments and secondary waterflood recovery initiatives; the availability of cash on hand, available credit and future anticipated adjusted funds flow to fund planned capital development programs and future acquisitions, dividends or share buybacks; the geological characteristics of the combined company's properties; prevailing commodity prices, price volatility, price differentials and the actual prices received for the combined company's products; the realization of anticipated benefits of the combined company's infrastructure, waterflood development program and recent acquisitions and divestitures; 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 performance of new and existing wells; the application of existing drilling and fracturing techniques; the combined company's ability to secure sufficient amounts of water; prevailing weather and break-up conditions; royalty regimes and exchange rates; the amount and timing of transaction, integration and other costs; the anticipated tax treatment of the Transaction and the transfer of the Tributary Exploration Assets; the realization of anticipated synergies in the amounts and within the timeframes currently anticipated; 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 applicable banking facilities; the accuracy of Tamarack's and Headwater's geological interpretation of their respective drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and the combined company's ability to execute its plans and strategies.

In addition, forward-looking statements relating to Headwater are based on certain key expectations and assumptions made by Headwater, including those relating to Headwater's business plan, the timing and success of its future exploration, drilling and development activities, the geological characteristics of Headwater's properties and prevailing commodity prices. Forward-looking statements relating to the Transaction and the formation, financing and proposed public listing of Tributary Exploration are based on the key assumptions of Tamarack and Headwater regarding completion of the Transaction on the terms and within the timeframe currently anticipated; the satisfaction of closing conditions; the timing and receipt of required regulatory, court, stock exchange and shareholder approvals; the terms of the arrangement agreement; completion of the transfer of the Tributary Exploration Assets to Tributary Exploration; the number of Tamarack common shares, Tributary Exploration common shares and Arrangement Warrants to be issued pursuant to the Transaction; the accuracy of the pro forma capitalization and ownership information contained in this news release; the number of Arrangement Warrants that will be exercised and the timing of such exercises; the completion of the Tributary Exploration Private Placement on the anticipated terms and for the anticipated gross proceeds; the ability of Tributary Exploration to fulfill the listing requirements of a stock exchange; the expected performance and sufficiency of the Tributary Exploration Assets to support Tributary Exploration's business strategy; the ability of Tributary Exploration to execute its business plan and complete strategic land sales and acquisitions; the compliance by directors and officers of Headwater with the terms of the lock-up agreements; and the compliance by directors and officers of Tamarack and Headwater with the terms of the voting support agreements.

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 and Headwater 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: the risk that the Transaction is not completed on the anticipated terms or within the anticipated timing; the risk that the Transaction does not result in the anticipated benefits; the risk that the businesses, operations and personnel of Tamarack and Headwater are not successfully integrated; the risk that the Tributary Exploration Private Placement is not completed on the anticipated terms or at all; the risk that the gross proceeds of the Tributary Exploration Private Placement or the proceeds from the exercise of the Arrangement Warrants are less than anticipated; the risk that Tributary Exploration will not have the capitalization or cash currently anticipated; the risk that Tributary Exploration does not achieve a public listing or satisfy the listing requirements of a stock exchange; the risk that expected synergies of over $50 million per year are not realized or are delayed; the risk that the lock-up agreements may not be enforceable or that the expiry of lock-up restrictions results in selling pressure on Tamarack's common shares; the risk that the funds that the combined company ultimately returns to shareholders through dividends and/or share repurchases is less than currently anticipated and/or is delayed, whether due to the risks identified herein or otherwise; risks with respect to unplanned third party pipeline outages and risks relating to inclement and severe weather events and natural disasters, such as fire, drought and flooding, including in respect of safety, asset integrity and shutting-in production; the risk that future dividend payments are reduced, suspended or cancelled; incorrect assessments of the value of benefits to be obtained from exploration and development programs; that income taxes, general and administrative expenses or interest expenses differ materially from expectations; the risk that the combined company may not achieve anticipated water injection rates, anticipated Clearwater oil production or meet the capital investment guidance; the risk that cash on hand, available credit and anticipated adjusted funds flow will not be sufficient to fund the combined company's planned capital programs and any future acquisitions, dividends and share buybacks; 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); the risk that (i) the U.S. and Canadian governments maintain tariffs, increase the rate or scope of tariffs, or impose new tariffs on the import of goods from one country to the other, including on oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed by the U.S. on other countries and responses thereto could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the combined company; the risks related to the renegotiation of the United States-Mexico-Canada Agreement, resulting in changes to trade, tariff or market access terms that may adversely affect the combined company or Tributary Exploration; commodity prices, including the impact of the actions of OPEC and OPEC+ members; risks relating to reliance on third parties, 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; pandemics; and the risk that the separation of the Tributary Exploration Assets from the combined company may be more complex or costly than anticipated. In addition, ongoing military actions in Iran and elsewhere in the Middle East and between Russia and Ukraine have the potential to threaten the supply of oil and gas from those regions. The long-term impacts of the actions between these nations remain uncertain. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to respond to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to the most recent annual information form and management's discussion and analysis of Tamarack for additional risk factors relating to Tamarack, which can be accessed either on Tamarack's website at www.tamarackvalley.ca or under Tamarack's profile on www.sedarplus.ca, and to the most recent annual information form and management's discussion and analysis of Headwater for additional risk factors relating to Headwater, which can be accessed either on Headwater's website at www.headwaterexp.com or under Headwater's profile on www.sedarplus.ca. Neither Tamarack nor Headwater assumes any responsibility for the adequacy or accuracy of forward-looking information relating to the other party contained in this news release. The forward-looking statements contained in this news release are made as of the date hereof and neither Tamarack nor Headwater undertakes any obligation to update publicly or to revise any of the included statements, except as required by law. The forward-looking statements contained herein are qualified by this cautionary statement.

This news release contains future-oriented financial information and financial outlook information (collectively, “FOFI”) about free funds flow per share accretion, production forecasts, corporate decline rates, free funds flow breakeven costs, net cash, available funding, the expected capitalization and cash of Tributary Exploration, Tributary Exploration’s anticipated future cash flow generation, the anticipated gross proceeds of the Tributary Exploration Private Placement and the proceeds from the exercise of the Arrangement Warrants, dividends, share buybacks, debt reduction, synergies, balance sheet strength, the revised 2026 capital budget and guidance, and components thereof, including pro forma the completion of the Transaction, 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 news release was approved by management of Tamarack and Headwater as of the date of this news release and was provided for the purpose of providing further information about the combined company’s and Tributary Exploration’s anticipated future business operations. Tamarack, Headwater and their respective management believe that FOFI has been prepared on a reasonable basis, reflecting management’s best estimates and judgments, and represents, to the best of management’s knowledge and opinion, the combined company’s and Tributary Exploration’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 and Headwater disclaim any intention or obligation to update or revise any FOFI contained in this news release, 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 news release should not be used for purposes other than for which it is disclosed herein. Changes in commodity prices, differences in the timing and allocation of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in the combined company’s and Tributary Exploration’s guidance. Actual results may differ materially from these estimates.

Specified Financial Measures

This news release includes various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios, capital management measures and supplemental financial 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. Unless otherwise indicated, the specified financial measures described below are measures used by Tamarack; Headwater may calculate similar measures differently, and readers should refer to Headwater’s public disclosure record for a description of any non-IFRS or other specified financial measures used by Headwater. The term “cash flow” used in respect of the Tributary Exploration Assets is a measure used by Headwater and is described separately below.

Adjusted funds flow (capital management measure) is defined as cash provided by operating activities excluding asset retirement obligation expenditures, transaction costs and changes in non-cash working capital. Asset retirement obligation expenditures and transactions costs from business combinations both result from Tamarack’s capital budgeting and strategic planning processes, which first considers available adjusted funds flow. Asset retirement obligation expenditures vary from period to period depending on capital programs, government regulations and the maturity of Tamarack’s operating areas. By also excluding changes in non-cash working capital from cash provided by operating activities, the adjusted funds flow measure provides a meaningful metric for Tamarack and others by establishing a clear link between Tamarack’s cash flows, income statement and operating netbacks by isolating the impact of changes in the timing between accrual and cash settlement dates, which can often be within management’s control. Tamarack uses adjusted funds flow to assess Tamarack’s financial performance and cash generated from operating activities.

Free funds flow (capital management measure) is defined as adjusted funds flow less investments in oil and natural gas assets (excluding acquisitions and dispositions) and the settlement of asset retirement obligations. Management utilizes free funds flow to assess how much cash was generated in excess of Tamarack’s capital investment and asset retirement programs within the same period, which can be utilized to reduce debt, fund acquisitions or return capital. Free funds flow is also expressed on per share basis by dividing the measures by the weighted average number of common shares outstanding.

Net (cash) debt (capital management measure) is calculated as the sum of Tamarack’s debt, government loans and other, cash, accounts receivable, prepaid expenses and deposits, cross-currency swap liability (asset), assets held for sale (net), accounts payable and accrued liabilities. Tamarack and others utilize net (cash) debt to assess liquidity and balance sheet strength by aggregating the select financial assets and financial liabilities on Tamarack’s balance sheet.

Available funding is calculated as the sum of undrawn credit capacity under Tamarack’s credit facility and cash, accounts receivable, prepaid expenses and deposits, cross-currency swap liability (asset), assets held for sale (net), accounts payable and accrued liabilities. Tamarack and others utilize available funding to assess the amount of funds that could be available to Tamarack in the near term to fund capital management initiatives.

Sustaining capital (supplementary financial measure) represents management’s estimate of annual capital investments required to maintain corporate production at prior period levels. This measure allows Management and others to assess the approximate composition of Tamarack’s annual capital investment programs and its corporate financial sustainability. Sustaining capital is also utilized to calculate Tamarack’s free funds flow breakeven cost.

Free funds flow breakeven cost (capital management measure) reflects the average minimum WTI price (US per bbl) received by Tamarack where adjusted funds flow net of the base dividend and sustaining capital requirements is approximately equivalent to zero, with sustained current production levels and all other variables held constant. Management believes that free funds flow breakeven provides a useful measure to establish corporate sustainability. The pro forma free funds flow breakeven cost of US$37 per bbl in this news release was based on the following assumptions: production of >80,000 boe per day, royalty rate of 13%, operating and transportation expenses of $11.22 per boe, general and administrative expenses of $1.11 per boe, sustaining capital requirements of approximately $240 million, WCS basis of (US$12.00 per bbl), AECO price of $2.11 per Mcf, a foreign exchange rate of 1.35 (USD:CAD) and a quarterly dividend of $0.06 per share.

Total return to shareholders provides an estimate of the total return generated for shareholders on a percentage basis by aggregating certain select metrics consisting of production growth, dividends, share buybacks and net debt reduction. The return from production growth is calculated as the year-over-year % change in production, dividend growth is based on the yield during year relative to Tamarack’s average market capitalization, share buybacks is calculating as the number of Tamarack shares purchased in the year divided by Tamarack’s opening common share count and net debt reduction is based on the year-over-year net debt decline relative to Tamarack’s average market capitalization.

Please refer to Tamarack’s most recent management’s discussion and analysis for additional information relating to specified financial measures including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. The management’s discussion and analysis can be accessed either on Tamarack’s website at www.tamarackvalley.ca or under Tamarack’s profile on www.sedarplus.ca.

In addition to the specified financial measures used by Tamarack in this news release, the non-IFRS measure “cash flow” is used with respect to Headwater’s McCully gas asset. The most directly comparable financial measure to cash flow that is disclosed in Headwater's financial statements is "sales". Headwater uses the term cash flow for the purposes of its McCully asset to measure the profitability of such asset before considering any corporate costs. This term may not be comparable to similar measures presented by other companies. Cash flow is calculated as sales, less royalties, less blending and transportation, less production expense, inclusive of realized gains (losses) on financial derivatives. Headwater’s cash flows at a corporate level as reconciled to sales for 2025 is as follows: (i) $618.3 million in sales, less (ii) $104.0 million in royalties, less (iii) $70.9 million in blending and transportation, less (iv) $61.3 million in production expense, less (v) $6.5 million financial derivative losses, equaling cash flows of $375.6 million.

Abbreviations

bbl(s)	barrel(s)
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade