Tenaz Energy Corp. Announces Q3 2021 Results, 2022 Budget and Corporate Update

CALGARY, November 18, 2021 /CNW/ - Tenaz Energy Corp. (the "**Company**") (TNZ: TSXV) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2021, its 2022 exploration and development ("**E&D**") capital budget and corporate update. The unaudited interim condensed consolidated financial statements and related management's discussion and analysis ("**MD&A**") are available at www.sedar.com and www.tenazenergy.com. Selected financial and operating information for the three and nine months ended September 30, 2021 appear below and should be read in conjunction with the related financial statements and MD&A.

A webcast presentation to accompany this release is available on Tenaz's website at www.tenazenergy.com.

THIRD QUARTER 2021 HIGHLIGHTS

- Subsequent to the quarter, Tenaz Energy Corp. ("**Tenaz**" or the "**Company**") was formed through the recapitalization and amalgamation of Altura Energy Inc. Gross proceeds of $29.5 million were raised in brokered and non-brokered private placements, and a new management team and board of directors were appointed.
- On November 8, 2021, the Company announced details of its rights ("**Rights**") offering (the "**Rights Offering**") pursuant to which each shareholder of Common Shares on November 15, 2021 (the "**Record Date**") will receive one (1) Right for each Common Share held by such shareholder. Each eight (8) Rights will entitle the holder to subscribe for one Common Share upon payment of a subscription price of $0.18 per Common Share.
- Production volumes averaged 1,045 boe per day in the quarter, up 14% year-over-year and 4% from the prior quarter.
- Funds flow from operations[1] was $1.35 million in the quarter, a 20% increase over Q2 2021. Higher funds flow from operations resulted from the increase in both commodity prices and production volumes which were partially offset by a $0.8 million realized hedging loss.
- Net income in the quarter was $10.6 million, which increased from a net loss of $0.4 million in Q2 2021, primarily due to the reversal of previous impairments. An improved commodity price outlook was the basis for the reversal.
- Net debt[1] was $3.5 million at September 30, 2021, down from $4.1 million at March 31, 2021, representing 0.6 times annualized funds flow from operations. After taking into account the proceeds from the private placements, but before the rights offering, pro-forma working capital[2] at September 30, 2021 would have been approximately $23.0 million.
- Tenaz drilled and completed one (0.9 net) well targeting the Rex formation during the quarter. This well was located approximately 1.7 kilometres east of previous producers, and is performing on the project type curve, with an IP60[3] of 265 boe/d excluding downtime (70% oil and NGLs).
- We have established a preliminary budget and guidance for 2022. Development capital investment in 2022 is slated at $7.8 million, with annual production expected to increase by approximately 25% compared to 2021.

[1] Funds flow from operations and net debt are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this press release.
[2] Working capital is defined as cash and cash equivalents plus non-cash current assets less current liabilities, excluding financial instruments.
[3] References to initial production (IP) rates found in this press release are useful for determining the presence of hydrocarbons. There is no assurance as to the length of time that wells will produce at such rates, and consideration must be given to natural declines thereafter. As such, readers are cautioned when using these production rates to aggregate Tenaz's production.

FINANCIAL AND OPERATIONAL SUMMARY

($000 CAD, except per share and per boe amounts)	Three months ended **Sep 30, 2021**	 **Jun 30, 2021**	 Sep 30, 2020	Nine months ended **Sep 30, 2021**	 Sep 30, 2020
FINANCIAL					
Petroleum and natural gas sales	**4,717**	4,220	2,526	**12,377**	5,956
Cash flow from operating activities	**1,982**	763	505	**3,572**	2,200
Funds flow from operations(1)	**1,349**	1,125	378	**3,283**	1,684
Per share – basic and diluted(1)	**0.01**	0.01	-	**0.03**	0.02
Net income (loss)	**10,619**	(398)	(360)	**9,313**	(33,136)
Per share – basic and diluted(2)	**0.10**	-	-	**0.09**	(0.30)
Capital expenditures	**2,614**	427	469	**4,551**	7,769
Property dispositions	**-**	(1,312)	(875)	**(1,750)**	(1,746)
Net debt(1)	**3,462**	2,281	4,623	**3,462**	4,623
Common shares outstanding (000)					
End of period – basic	**108,921**	108,921	108,921	**108,921**	108,921
Weighted average for the period – basic and diluted(2)	**108,921**	108,921	108,921	**108,921**	108,921
OPERATING					
Average daily production					
Heavy crude oil (bbls/d)	**496**	528	512	**507**	464
Light crude & medium crude oil (bbls/d)	**-**	-	16	**-**	8
Natural gas (Mcf/d)	**2,861**	2,543	2,118	**2,588**	2,066
NGLs (bbls/d)	**72**	57	38	**61**	52
Total (boe/d)	**1,045**	1,009	919	**999**	868
(***$/boe***)					
Petroleum and natural gas sales	**49.04**	45.97	29.87	**45.38**	25.04
Royalties	**(5.53)**	(5.15)	(2.63)	**(5.07)**	(1.83)
Operating expenses	**(14.44)**	(13.96)	(13.85)	**(13.88)**	(13.46)
Transportation expenses	**(1.75)**	(2.45)	(2.51)	**(2.05)**	(2.49)
Operating netback(1)	**27.32**	24.41	10.88	**24.38**	7.26
Realized gain (loss) on financial instruments	**(8.29)**	(6.67)	0.51	**(6.65)**	5.59
General and administrative	**(4.30)**	(4.46)	(5.71)	**(4.72)**	(5.03)
Interest and financing expense	**(0.68)**	(1.03)	(1.21)	**(0.97)**	(0.75)
Funds flow from operations per boe(1)	**14.05**	12.25	4.47	**12.04**	7.07
BENCHMARK COMMODITY PRICES					
WTI crude oil (US$/bbl)	**70.56**	66.07	40.93	**64.82**	38.32
WCS (Cdn$/bbl)	**71.88**	66.97	42.41	**65.40**	32.98
AECO daily spot ($/GJ)	**3.41**	2.93	2.12	**3.11**	1.98

(1) Funds flow from operations, net debt, and operating netback are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of the MD&A.
(2) Basic weighted average shares are used to calculate diluted per share amounts in periods in which there is a loss position.

PRESIDENT'S MESSAGE

It is my pleasure to write to you in our first quarterly report following the transformation of Altura Energy into Tenaz Energy. Tenaz was formed to deliver returns for shareholders through an acquisitions-oriented strategy focused on international assets. Our vision is to build a leading intermediate-size E&P by targeting high-quality assets in overseas markets to support a balanced growth-and-income capital markets model.

In pursuit of opportunities, we have outlined a geographic scope for evaluation that includes Europe, MENA (Middle East & North Africa) and South America. We recognize that this is a substantial remit, but we prefer to have a wide set of assets to choose from as we search for the highest returns for shareholders. Once we have made cornerstone acquisitions in one or two of these regions, we will pursue follow-on acquisitions and asset development to create meaningful scale. Using the international experience of both our founding Tenaz team members and the existing Altura team, we intend to weigh the risk and rewards of each opportunity in search of free cash flow and high rates of return. In our view, the lowest risk assets for returns to shareholders will be from fields that are already producing, and this will be the primary focus of our acquisition efforts.

In addition to pursuing our international acquire-and-exploit strategy, Tenaz has inherited a high quality semi-conventional development project in the Leduc-Woodbend area of Alberta, Canada. This project targets the Rex zone within the Mannville formation and has current production of approximately 1,100 boe per day (approximately 60% oil and NGLs). This oil-weighted play has several significant advantages, including robust drilling economics, a large contiguous land base, substantial infrastructure access, and low existing abandonment obligations. We will continue to develop these assets to generate moderate growth and free cash flow that can be deployed in support of our overall corporate strategy.

We recognize the importance of transitioning to a lower carbon economy. Nonetheless, energy consumption is growing as income and wealth increase for the global population while demand for energy is outpacing supply for both hydrocarbons and renewables. We believe there is an important role for oil and gas as transitional energy sources. Accordingly, investment and innovation in these energy sources are required to ensure adequate supplies for an ascending global population. Tenaz intends to contribute to carbon emissions reduction through efficient use of inputs in the production process and innovative sustainability projects utilizing existing oil and gas infrastructure. Environmental, social and economic sustainability is central to our strategy.

Outlook and E&D Capital Budget

Upon completion of our capital budget review, the new management and Board have approved drilling two (1.8 net) Rex development wells in Q4 2021, which are expected to be completed and brought on production in Q1 2022. Our preliminary plan for 2022 calls for drilling an additional two (1.8 net) wells after break up, with expected onstream dates in Q3 2022. This plan constitutes an overall four (3.5 net) well program until the end of 2022.

The decision to drill the first two wells in Q4 2021 is a result of our opportunity to engage quality, fit-for-purpose drilling and completion services at this time. The engagement of these services now will optimize capital costs and avoid delays that would be likely if operations were initiated in the new year. The wells to be drilled in Q4 2021 will be drilled from an existing pad, reducing the capital required for tie-in by using existing infrastructure. Completions will be conducted as soon as practical following drilling, with first production expected in Q1 2022. Timing of the summer 2022 drilling activity is dependent on the availability of services and weather-dependent lease access.

With the additional wells, we project full year capital for 2021 to be $8.0 million. Our preliminary 2022 capital budget for development activities is $7.8 million, including completion of all four wells, two of which will be drilled post breakup, and for land leasing and other activities. At current commodity prices, payout of the four-well drilling program is expected before the end of 2022, increasing our free cash flow profile. Production from the new wells is expected to increase annual production for 2022 to a range of 1,200 to 1,300 boe/d, approximately 25% more than in 2021. Our Leduc-Woodbend project has a significant inventory of drilling locations capable of providing production growth for a number of years. Tenaz plans to continue to develop this valuable land base into a business unit of more appropriate scale over the coming years with funding from internally generated cash flow. We view this ongoing semi-conventional development project as a small but worthwhile component of our free cash flow-oriented strategy.

Finally, we would like to thank the Altura shareholders and our new investors for the support and confidence in the team and strategy we have assembled within Tenaz.

/s/ Anthony Marino
President and Chief Executive Officer
November 17, 2021

CORPORATE UPDATE

Recapitalization Transaction

On August 30, 2021, the Company entered into the Investment Agreement with a group of investors led by Anthony Marino, Michael Kaluza, Bradley Bennett, Jonathan Balkwill, Marty Proctor, and Mark Rollins which provided for, among other things: (i) a non-brokered private placement of units (“**Units**”) of the Company (“**Non-Brokered Private Placemen**t”) and a brokered private placement of subscription receipts (“**Subscription Receipts**”) of the Company (“**Brokered Private Placement**” and together with the Non-Brokered Private Placement, the “**Private Placements**”) for aggregate gross proceeds of $29.5 million; (ii) a reconstitution of the Board and appointment of a new management team (the “**Change of Management**”); and (iii) a change of the Company’s name from “Altura Energy Inc.” to “Tenaz Energy Corp.” (collectively, the “**Reorganization**”).

On September 22, 2021, the Company completed the Brokered Private Placement pursuant to which 136,112,000 Subscription Receipts were issued at a price of $0.18 per Subscription Receipt for gross proceeds of $24.5 million. The gross proceeds from the Brokered Private Placement were held in escrow pending completion of the Change of Management and the Non-Brokered Private Placement.

On October 8, 2021, the Company completed the Change of Management and the Non-Brokered Private Placement pursuant to which 27,778,000 Units were issued at a price of $0.18 per Unit for gross proceeds of $5.0 million. Each Unit was comprised of one common share (“**Common Share**”) and one warrant (“**Warrant**”) of the Company, with each Warrant entitling the holder thereof to purchase one Common Share at a price of $0.18 per Common Share from a period of five years from the issuance date, subject to certain terms and conditions. One-third of the Warrants will vest and become exercisable upon the 20-day VWAP of the Common Shares (the "**Market Price**") equaling or exceeding $0.25 per Common Share, an additional one-third upon the Market Price equaling or exceeding $0.315 per Common Share and a final one-third upon the Market Price equaling or exceeding $0.36 per Common Share.

Immediately following the completion of the Change of Management and the Non-Brokered Private Placement, the Company issued 136,112,000 Common Shares pursuant to the conversion of the 136,112,000 Subscription Receipts previously issued by the Company in connection with the Brokered Private Placement, and $24.5 million in gross proceeds was released from escrow.

Name and Symbol Change

On October 15, 2021, the Company changed its name from "Altura Energy Inc." to "Tenaz Energy Corp." and the symbol for trading on the TSX Venture Exchange was changed to TNZ (formerly ATU).

Rights Offering

The Reorganization provided that the Company shall conduct a Rights Offering pursuant to which each shareholder of Common Shares on the Record Date will receive one (1) Right for each Common Share held by such shareholder. Each eight (8) Rights will entitle the holder to subscribe for one Common Share upon payment of a subscription price of $0.18 per Common Share. The Common Shares commenced trading on the TSXV on an ex-rights basis at the opening of business on November 12, 2021. This means that Common Shares purchased on or following November 12, 2021 are not entitled to receive Rights under the Rights Offering. The Rights Offering will expire at 4:00 p.m. (Calgary time) on December 13, 2021, after which time unexercised Rights will be void and of no value.

Subscribers under the Private Placements agreed not to participate in the Rights Offering in respect of the securities subscribed for thereunder and having undertaken not to exercise, sell, trade or otherwise convey any interest in the Right Offering. Further details of the Rights Offering are set out in the Rights Offering notice and the Rights Offering circular, which are available under the Company's profile on SEDAR or at www.tenazenergy.com.

Share Consolidation

The Board of Directors has authorized the share consolidation previously approved by shareholders on October 7, 2021. The share consolidation will be effected on the basis of one new Common Share for every ten existing Common Shares (the "**Share Consolidation**") and will be completed following the closing of the Rights Offering in mid-December 2021.

Granting of Options

Subsequent to the quarter, the Board of Directors has authorized the grant to directors. executive officers and employees of the Company an aggregate of 16,700,000 stock options to purchase Common Shares to be effective November 23, 2021 pursuant to the terms of the Company's stock option plan. The options will expire five years from the grant date, will have an exercise price equal to the TSX-V closing price per Common Share on November 22, 2021 and will vest as to one third on each of the first, second and third anniversaries of the grant date. The options will be subject to adjustment as a result of the proposed consolidation currently planned for mid-December 2021.

Strategy Update

In addition to the continued development of the Company's existing assets, the new management team intends to target the acquisition of conventional and semi-conventional oil and gas assets in overseas markets. The Company will focus on building a portfolio of free cash flow assets that have the potential to provide returns to shareholders via a growth-and-income capital markets model.

With the completion of the Private Placements, the Company has established itself as a viable public vehicle for the acquisition of oil and gas producing assets. We intend to leverage our team's experience to pursue opportunities across multiple international jurisdictions where there is the potential for less competition, greater opportunity for operational improvements, and higher returns on capital as compared to the North American industry. Finally, the Company recognizes the critical importance of environmental, social and economic sustainability, and will place a correspondingly high priority on performance and leadership in these areas. The Company is committed to the long-term sustainability of the jurisdictions in which it invests and the local communities in which it operates.

About Tenaz Energy Corp.

Tenaz is an energy company focused on the acquisition and sustainable development of international oil and gas assets capable of returning free cash flow to shareholders. In addition, Tenaz conducts development of a semi-conventional oil project in the Rex member of the Upper Mannville group at Leduc-Woodbend in central Alberta.

READER ADVISORIES

Non-GAAP Measures

This press release contains references to measures used in the oil and natural gas industry such as “funds flow from operations”, “funds flow from operations per share”, “funds flow from operations per boe”, “net debt”, and “operating netback”. The data presented in this Press release is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These reported non-GAAP measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader.

Funds flow from operations

In reporting for prior periods, funds flow from operations was referred to as adjusted funds flow and excluded transaction costs. Tenaz has changed the reporting of the term adjusted funds flow to funds flow from operations and is including transaction costs in the non-GAAP financial measure to be more consistent with reporting by other issuers. Tenaz considers funds flow from operations to be a key measure of performance as it demonstrates the Company's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and to repay debt. Funds flow from operations is calculated as cash flow from operating activities, before changes in non-cash operating working capital. Funds flow from operations is not intended to represent cash flows from (used in) operating activities calculated in accordance with IFRS.

Funds flow from operations per share is calculated using basic and diluted weighted average number of shares outstanding in the period.

Funds flow from operations per boe is calculated as funds flow from operations divided by total production sold in the period.

Net Debt

In reporting for prior periods, net debt excluded the current portion of lease liabilities, and the current portion of the decommissioning liability. Tenaz has changed the reporting of net debt to include the current portion of lease liabilities, and the current portion of the decommissioning liability. Management views net debt as key industry benchmarks and measures to assess the Company's financial position and liquidity. Net debt is calculated as current assets, excluding the fair value of financial instruments less current liabilities, excluding the fair value of financial instruments.

Operating Netback

Tenaz calculates operating netback on a per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs. Management feels that operating netback is a key industry benchmark and a measure of performance for Tenaz that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis.

Barrels of Oil Equivalent

The term barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Forward- looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to: the Rights Offering information and the Company’s intension to effect the Share Consolidation after the completion of the Rights Offering; Tenaz’s capital plans and budget for Q4 2021 and 2022; forecasted average production volumes for 2021 and 2022; and the corporate strategy proposed by the new management team.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of the Company including, without limitation: the continued performance of the Company's oil and gas properties in a manner consistent with its past experiences; that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of the Company's reserves and resource volumes; certain commodity price and other cost assumptions; the continued availability of oilfield services; and the continued availability of adequate debt and equity financing and cash flow from operations to fund its planned expenditures. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of the Company's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of the Company or by third party operators of the Company's properties, increased debt levels or debt service requirements; inaccurate estimation of the Company's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in the Company's public documents.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information, contact:

Tenaz Energy Corp.

investors@tenazenergy.com

Anthony Marino
President and Chief Executive Officer
Direct: 587 330 1983

Bradley Bennett
Chief Financial Officer
Direct: 587 330 1714