

## TENAZ ENERGY CORP. ANNOUNCES 2022 YEAR-END RESULTS AND RESERVES



CALGARY, AB, March 21, 2023 /CNW/ - Tenaz Energy Corp. (“Tenaz”, “We”, “Our”, “Us” or the “Company”) (TSX: TNZ) is pleased to announce financial and operating results for the three months and year ended December 31, 2022 and provide a year-end 2022 reserves summary of its independent reserve report (the “McDaniel Report”), prepared by McDaniel and Associates Consultants Ltd. (“McDaniel”) dated March 15, 2023 with an effective date of December 31, 2022.

The related audited consolidated financial statements, as well as Management’s Discussion and Analysis (“MD&A”) for the year ended December 31, 2022 and annual information form (“AIF”) as of December 31, 2022, are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Tenaz’s website at [www.tenazenergy.com](http://www.tenazenergy.com).

A webcast presentation to accompany this release is available on Tenaz’s website at [www.tenazenergy.com](http://www.tenazenergy.com).

### HIGHLIGHTS

#### Fourth Quarter and Year-End 2022 Results

- Production volumes averaged 1,520 boe/d<sup>1</sup> in Q4, up 43% year-over-year and 24% from Q3. For 2022 as a whole, production averaged 1,218 boe/d, up 20% from full-year 2021 production. The production increase was primarily due to volumes from new wells drilled in the second half of 2022 and occurred despite cold weather induced fluid processing restrictions in Q4.
- Funds flow from operations (“FFO”)<sup>2</sup> for 2022 was \$8.6 million, up 146% from 2021. Higher 2022 funds flow from operations resulted from increases in both commodity prices and production volumes, partially offset by \$1.8 million of realized hedging losses and \$2.7 million of expensed transaction costs from our M&A activities.
- Net income for Q4 2022 was \$0.7 million, as compared to \$0.2 million in Q3, as a result of increased operating netback<sup>2</sup> partially offset by transaction costs. Full year 2022 net income was \$5.2 million, which was lower than net income of \$8.3 million in 2021, driven by a large impairment reversal recorded in 2021.
- The Company ended 2022 with positive adjusted working capital<sup>2</sup> of \$14 million, up slightly from Q3 2022, despite investing in the drilling, completion and equipping of two (1.75 net) wells in Canada and incurring transaction costs for the Netherlands acquisition in Q4.
- During the fourth quarter, we completed the drilling and fracture stimulation of two (1.75 net) wells and brought both wells on production. The second well has a completed length of 2.16 miles, making it the longest well drilled to-date in the field. Production to-date from these wells exceeds their expected type curves.
- In late December 2022, we purchased a private company holding non-operated interests in the Dutch North Sea (“DNS”). The transaction adds high-value European natural gas production and associated infrastructure to our portfolio in a region of strategic importance to Tenaz. The transaction was completed without the issuance of equity, resulting in significant accretion for our shareholders. As consideration for the Netherlands acquisition, Tenaz posted €40.9 million security related to future decommissioning liabilities. On February 28, 2023, this security requirement was reduced as expected to €11.75 million. As a result of the security reduction, a credit facility which we put in place to facilitate the acquisition has been repaid in full. Tenaz’s original \$10 million credit facility with ATB Financial is undrawn and available.
- Our 2023 budget has been updated to reflect the addition of the Netherlands acquisition. Our Exploration and Development (“E&D”) capital guidance is now \$20 to \$24 million, and annual production guidance is 2,200 to 2,300 boe/d. Based on the current commodity strip, funds flow from operations is expected to exceed our E&D capital investment program during 2023.

<sup>1</sup> 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. Refer to “Barrels of Oil Equivalent” section included in the “Advisories” section of this press release.

<sup>2</sup> This is a non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section of this press release.

- Our Normal Course Issuer Bid (“NCIB”) program retired 454,700 shares (1.6% of basic common shares) at an average cost of \$1.66 per share during 2022. We will continue to be active in retiring shares when market prices for our shares are meaningfully below our assessments of fair value. As of the end of February 2023, we have retired 688,700 shares at an average cost of \$1.88 per share, utilizing approximately 26% of our approved limit of shares that can be repurchased through this program.

### Year-End 2022 Reserves<sup>3</sup>

- Proved Developed Producing (“PDP”) reserves increased 75%, with a 31% increase through Canadian organic activities alone, reflecting a reserve replacement ratio of 392%. PDP reserves at year-end totaled 3.0 million boe, and after-tax net present value discounted at 10% (“NPV10”) increased 112% to \$48.2 million (\$1.72 per share).
- Total Proved (“1P”) reserves increased 30%, reflecting a reserve replacement ratio of 548%. 1P reserves at year-end totaled 8.8 million boe, and after-tax NPV10 increased 100% to \$86.0 million (\$3.06 per share).
- Total Proved + Probable (“2P”) reserves increased 20%, reflecting a reserve replacement ratio of 618%. 2P reserves at year-end totaled 13.6 million boe, and after-tax NPV10 increased 94% to \$141.1 million (\$5.02 per share).
- After-tax NPV10 for our Canadian assets increased by 50% to \$34.1 million at the PDP level, 65% to \$71.0 million at the 1P level, and 51% to \$110.1 million at the 2P level. After-tax PV10s for our newly-acquired Netherlands natural gas assets were \$14.2 million, \$15.0 million and \$31.0 million at the PDP, 1P and 2P levels, respectively.
- PDP Finding and Developing (“F&D”) costs (including future development capital (“FDC”)) were \$17.74/boe, resulting in a 2.4x recycle ratio based on our 2022 operating netback<sup>4</sup> of \$42.31/boe. F&D costs (including FDC) were \$16.01 and \$14.69 at the 1P and 2P levels, generating recycle ratios of 2.6x and 2.9x, respectively. F&D costs solely reflect the results of our organic investment program in Canada.
- PDP Finding, Developing and Acquisition Costs (“FD&A”), were \$10.50/boe (including FDC), resulting in a 4.0x recycle ratio. FD&A costs (including FDC) were \$11.40 and \$9.53 at the 1P and 2P levels, generating recycle ratios of 3.7x and 4.4x, respectively. The FD&A costs and resulting recycle ratios reflect both organic activities in Canada and the Netherlands acquisition.
- Reserve life indices were 5.4 years, 15.8 years and 24.6 years, respectively, for PDP, 1P and 2P reserves, based on our Q4 2022 production rate.

---

<sup>3</sup> “FD&A Cost”, “F&D Cost”, “Reserves Replacement Ratio” and “Recycle Ratio” do not have standardized meanings and therefore may not be comparable with the calculation of similar measures for other entities. See “Information Regarding Disclosure on Oil and Gas Reserves and Operational Information” in this press release.

<sup>4</sup> This is a non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section of this press release.

## FINANCIAL AND OPERATIONAL SUMMARY

(\$000 CAD, except per share and per boe amounts)	Three months ended			Year ended	
	Dec 31 2022	Sep 30 2022	Dec 31 2021	Dec 31 2022	Dec 31 2021
<b>FINANCIAL</b>					
Petroleum and natural gas sales	10,852	7,690	5,453	34,087	17,830
Cash flow from operating activities	4,809	1,444	373	9,347	3,945
Funds flow from operations <sup>(1)</sup>	3,236	2,280	216	8,612	3,499
Per share – basic <sup>(1)(3)</sup>	0.11	0.08	0.01	0.30	0.24
Per share – diluted <sup>(1)(3)</sup>	0.11	0.08	0.01	0.30	0.24
Net income (loss)	747	224	(258)	5,237	8,339
Per share – basic <sup>(3)</sup>	0.03	0.01	(0.01)	0.18	0.57
Per share – diluted <sup>(2)(3)</sup>	0.03	0.01	(0.01)	0.18	0.56
Capital expenditures <sup>(1)</sup>	4,988	7,882	5,840	17,101	10,391
Adjusted working capital (net debt) <sup>(1)</sup>	14,044	13,887	20,688	14,044	20,688
Common shares outstanding (000)					
End of period – basic <sup>(3)</sup>	28,093	28,405	28,438	28,093	28,438
Weighted average for the period – basic <sup>(3)</sup>	28,242	28,520	26,069	28,424	14,718
Weighted average for the period – diluted <sup>(2)(3)</sup>	28,244	28,690	27,450	28,878	14,876
<b>OPERATING</b>					
<u>Average daily production</u>					
Heavy crude oil (bbls/d)	827	687	502	667	506
NGLs (bbls/d)	53	47	78	56	65
Natural gas (mcf/d)	3,843	2,929	2,895	2,972	2,666
Total (boe/d) <sup>(4)</sup>	1,520	1,222	1,063	1,218	1,015
<u>(\$/boe)<sup>(4)</sup></u>					
Petroleum and natural gas sales	77.59	68.39	55.78	76.67	48.12
Royalties	(11.12)	(15.23)	(7.10)	(13.38)	(5.60)
Operating expenses	(21.56)	(17.04)	(12.20)	(18.69)	(13.43)
Transportation expenses	(2.60)	(1.75)	(1.81)	(2.29)	(1.99)
Operating netback <sup>(1)</sup>	42.31	34.37	34.67	42.31	27.10
<b>BENCHMARK COMMODITY PRICES</b>					
WTI crude oil (US\$/bbl)	82.63	91.64	77.19	94.23	67.91
WCS (CAD\$/bbl)	77.39	93.72	78.71	98.53	68.73
AECO daily spot (CAD\$/mcf)	5.23	4.45	4.74	5.43	3.63
TTF (CAD\$/mcf)	50.12	78.96	41.08	52.84	20.40

(1) This is a non-GAAP and other financial measure. Refer to “Non-GAAP and Other Financial Measures” included in the “Advisories” section of this press release.

(2) Basic weighted average shares are used to calculate diluted per share amounts in periods in which there is a loss position.

(3) On December 23, 2021, the Company completed a 10 to 1 common share consolidation. All per share and common share values have been presented on a post-consolidation basis.

(4) 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. Refer to “Barrels of Oil Equivalent” section included in the “Advisories” section of this press release.

## **PRESIDENT'S MESSAGE**

We view 2022 as a year in which the newly-created Tenaz Energy made significant advancements in three critical areas: development of our asset base in Canada, closing our first international acquisition and strengthening our organizational capability. These three areas are important to both the near- and long-term performance of Tenaz.

Our Canadian asset base consists of a single, high-quality oil project at Leduc-Woodbend. In this field, we made technical advancements in a number of key geologic, engineering and operational inputs to our development program. A substantially improved geologic description and frac design changes made it possible to increase the length of our development wells and simultaneously improve frac geometry and placement success. We reached lateral lengths in excess of two miles in our 2022 program while achieving frac placement efficiency of nearly 100%. The ability to drill longer laterals and confidently place more frac stages substantially increased our capital efficiency as evidenced by a very strong 2P F&D cost (including FDC) of \$14.69 per boe, with a corresponding recycle ratio of 2.9. We have prepared the Leduc-Woodbend field for enhanced long-term growth through new land acquisition and by building production scale, with related reductions in unit cost expected in 2023 and beyond.

Our Netherlands acquisition is directly in line with our strategy of making high-return acquisitions primarily targeting the European and Middle East North Africa ("MENA") regions. In this case, we acquired a private company with upstream and midstream offshore assets by posting decommissioning security as the primary form of consideration. With no share issuance, this acquisition enhances our per share metrics for production, reserves, FFO and NPV10. The transaction diversifies our production base, giving us an approximately one-third weighting to high-value European natural gas, which currently has a calendar-year 2023 strip of €47 per mwh (\$20.37 per mmbtu). In addition, we acquired 11.3% ownership in Noordgastransport B.V. ("NGT"), which holds one of the largest gas-gathering and processing networks in the DNS, and exposure to a large potential Carbon Capture and Storage ("CCS") project.

We will seek to expand our asset base in our regions of strategic interest by pursuing additional value-adding transactions. We believe the asset market is more conducive to this objective than at any time in our company's eighteen-month history. Commodity prices have receded from the highs of early 2022, introducing greater realism into sellers' expectations. As a result, we have been able to substantially expand and improve the quality of potential acquisitions in our transaction pipeline.

Organizational capability is the essential requirement for success in both our organic and acquisition activities. We started Tenaz in autumn 2021 with a strong officer corps of aligned and technically capable oil and gas professionals. During 2022 and early 2023, we made several key additions to our production engineering and acquisition evaluation technical ranks. Our new production engineering personnel are among the key drivers of our capital efficiency improvements in Leduc-Woodbend. In the acquisition side of our business, other new engineering colleagues give us the ability to evaluate more transactions as we scour our target regions for the highest return projects. Our goal is to take the controllable risk out of the M&A process to the largest extent possible, and our enhanced organization furthers that objective. We believe Tenaz is positioned for success in both elements of our business plan, international M&A and domestic organic development.

### **Operations Update**

We continue to enhance our Leduc-Woodbend project returns by improving our knowledge of the Rex reservoir and depositional environment, extending horizontal well lengths, and continuously improving our frac stimulation design and execution. Better geologic and reservoir description allows optimal placement of well trajectories to remain in the pay column for the entirety of the horizontal length. Drilling longer wells reduces the surface footprint required for field development and improves capital efficiency by increasing ultimate recovery without a commensurate increase in well cost. Improved stimulation design reduces completion and well clean-up costs, and increases proppant concentrations and resulting pack conductivity, thereby generating improved production performance.

In our third quarter release, we announced an increase to our 2022 capital program and commenced an additional two wells (1.75 net) in the Leduc-Woodbend field. During the fourth quarter, we completed the drilling and fracture stimulation of those wells and brought them on production. The shorter of the two wells had a horizontal length of 1.25 miles and was completed with 71 frac stages (with 100% placement). The second well in this program had a horizontal length of 2.16 miles, making it the longest well drilled to date in the field. This well was completed with 124 stages (again with 100% placement).

Production volumes from Leduc-Woodbend averaged 1,425 boe/d in Q4 2022, an increase of 17% compared to Q3 2022 and 34% over Q4 2021. For full-year 2022, Leduc-Woodbend volumes were up 18% over 2021. The production increase was driven primarily by continued strong performance from the two (1.75 net) summer-program wells which were drilled in Q3 and strong initial rates during clean-up from the additional two (1.75 net) wells finished in Q4. The Q4 wells began producing hydrocarbons late in November 2022, with the longer of the two wells (2.16 mile length) recording a post-cleanup IP90 of 280 boe/d (83% liquids). The shorter well (1.25 mile length) achieved first oil quickly but has taken longer to recover

all of its load fluid. The February 2023 production rate for this well averaged 260 boe/d (83% liquids) and is still cleaning up.

Capital investment for the fourth quarter was \$5.0 million, bringing total investment in 2022 to \$17.1 million. Capital investment was at the high end of our guidance range of \$15 to \$17 million, due to the impact of inflation in materials and services, particularly tubulars and construction.

We continue to high-grade and expand our Leduc-Woodbend land base through swaps, private mineral leasing, and Crown land sales. Although the absolute size of our Leduc-Woodbend land position remained relatively constant in 2022, we leased 1,920 gross (1,680 net) hectares of acreage that upgraded the quality of our land base by filling in holes in our core area and adding new prospective lands at the currently-identified field limits.

In Netherlands, our newly acquired asset made small contributions to Q4 2022 and 2022 annual production of 95 boe/d and 24 boe/d, respectively, owing to closing the transaction late in December. Our Netherlands asset continues to perform as expected with an average production rate of approximately 4.8 mmcf/d for the first two months of 2023.

ESG performance remains our highest priority. In our operated asset at Leduc-Woodbend, we completed 2022 with no injuries, reportable incidents or vehicle accidents. We have established a practical and forward-looking safety program placing emphasis on personal responsibility, hazard identification, investigation of “near misses” as learning opportunities, and regulatory compliance. In the environmental realm, we proactively modified a number of natural gas-operated devices to reduce their methane emissions by approximately 90%. Finally, we note that our share of the potential CCS project in the Dutch North Sea could offset carbon emissions for a Tenaz production level of 50,000 boe/d or more, compensating for a significant amount of our targeted long-term growth.

### **Outlook for 2023**

Our expanded production scale at Leduc-Woodbend bodes well for improvement in unit costs. With the strong performance of recent wells and improved reservoir understanding, we are confident in conducting a planned four-well (3.35 net) drilling program for 2023. We expect our Canadian unit to produce 1,450 to 1,550 boe/d this year, an increase of 25% over 2022.

Our Netherlands assets are expected to produce approximately 4.5 mmcf/d (750 boe/d) and to contribute meaningful free cash flow for 2023. Our Netherlands capital budget includes minor workover and production enhancement activities. Though not currently budgeted, there is also the potential for drilling activity in Netherlands late in 2023.

In combination with Canada, our consolidated production guidance for 2023 is 2,200 to 2,300 boe/d with capital guidance of \$20 to \$24 million. Under the current strip, this capital program is more than fully funded by internal cash flow generation.

International M&A will continue to be our top priority. While there can be no certainty about the consummation or timing of any of the acquisitions in our current transaction pipeline, we believe the M&A market has moved in favor of our disciplined approach to evaluation and bidding. We maintain our playbook for new asset integration, which we think will be particularly effective on future acquisitions that we operate. We believe that we approach the M&A market from a position of strength with positive free cash flow from our growing organic asset base, negative net debt and a supportive shareholder base.

Prior to the recapitalization in October 2021, our predecessor company had outstanding indebtedness and was required by its lenders to have a certain percentage of its sales hedged. Tenaz is not currently required to hedge as we are now undrawn on our credit facility. Nonetheless, during Q4 2022 and Q1 2023, we executed some hedging transactions to mitigate a portion of our commodity price exposure. For AECO natural gas, we have price protection at levels exceeding the current strip for 3,000 GJ/d for Q1 2023 and 2,000 GJ/d for Summer 2023. We also have firm transport contracted for the large majority of our expected AECO natural gas production in 2023.

For WTI oil, we swapped 200 bbls/d at \$75 per bbl for the first two months of 2023. In addition, we have fixed the differential exposure for 200 bbls/d of heavy oil (WCS marker) for the last nine months of 2023 at US\$16.50 per bbl versus WTI.

We currently have hedges in place on all or part of the price exposure on 22% of our projected oil-equivalent production for 2023. Although we are not compelled to hedge, we will monitor the commodity markets for further opportunities to mitigate cash flow risks. Details of our hedging positions can be found in our annual report, available on our website and SEDAR.

We took important steps for the future of Tenaz in 2022. We are confident in our strategy and our ability to execute it. All of our management and directors are Tenaz shareholders, and every one of our employees is incentivized to deliver for our shareholder base. On behalf of our Board of Directors, we thank our shareholders and full stakeholder group for their ongoing support of Tenaz. We look forward to reporting our results to you during 2023.

/s/ Anthony Marino

President and Chief Executive Officer  
March 21, 2023

## RESERVES

The McDaniel Report was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Additional reserves information as required under NI 51-101 is included in Tenaz's annual information form for the year ended December 31, 2022 available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Tenaz's website at [www.tenazenergy.com](http://www.tenazenergy.com).

The following tables are a summary of Tenaz's crude oil, natural gas liquids ("NGLs") and natural gas reserves, as evaluated by McDaniel, effective December 31, 2022, in its report dated March 15, 2023. As a reporting issuer in Canada, Tenaz is required to report its reserves and net present value estimates using forecast pricing and costs, as stipulated under NI 51-101. The forecast prices reflected in the net present values are based on an average of the price decks of three independent engineering firms, GLJ Ltd., Sproule Associates Limited and McDaniel & Associates Consultants Ltd. (the "Consultant Average Price Forecast") at January 1, 2023 (see the Company's AIF). It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of our crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no assurance the estimated reserves will be recovered. It is important to note that the recovery and reserves estimates provided herein are estimates only. Actual reserves may be greater or less than the estimates. Reserves information may not add up due to rounding. Consistent with 2021 year-end reserves, and in accordance with guidance in the COGE Handbook, the McDaniel Report includes all abandonment, decommissioning and reclamation obligations ("ADR"), including all ADR associated with both active and inactive wells regardless of whether such wells had any attributed reserves.

### Summary of Gross Reserves as at December 31, 2022

Reserve Category	Company Gross Reserves <sup>(1)(2)</sup>				
	Light Crude Oil & Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Conventional Natural Gas (mmcf)	Natural Gas Liquids (mbbl)	Oil Equivalent (mboe)
<b>Proved</b>					
Proved Developed Producing	101	892	11,452	122	3,023
Proved Developed Non-Producing	-	-	247	-	41
Proved Undeveloped	-	2,989	14,693	253	5,691
<b>Total Proved</b>	<b>101</b>	<b>3,881</b>	<b>26,392</b>	<b>375</b>	<b>8,756</b>
<b>Total Probable</b>	<b>16</b>	<b>2,293</b>	<b>14,120</b>	<b>211</b>	<b>4,874</b>
<b>Total Proved + Probable<sup>(3)</sup></b>	<b>117</b>	<b>6,174</b>	<b>40,512</b>	<b>586</b>	<b>13,629</b>

(1) Gross reserves are Company working interest reserves before royalty deductions.

(2) Based on the January 1, 2023 Consultant Average Price Forecast.

(3) Numbers may not add due to rounding.

## Reconciliation of Reserves for 2022

	Company Gross Reserves <sup>(1)(2)</sup>				
	Light Crude Oil & Medium Crude Oil (mdbl)	Heavy Crude Oil (mdbl)	Conventional Natural Gas (mmcf)	Natural Gas Liquids (mdbl)	Oil Equivalent (mboe)
<b>Total Proved</b>					
December 31, 2021	165	3,094	18,421	434	6,762
Extensions and improved recovery	-	193	939	16	366
Technical Revisions <sup>(3)</sup>	(59)	653	1,436	(88)	745
Acquisitions	-	-	4,903	3	821
Economic Factors	19	160	1,777	31	506
Production	(25)	(219)	(1,085)	(20)	(445)
<b>December 31, 2022<sup>(4)</sup></b>	<b>101</b>	<b>3,881</b>	<b>26,392</b>	<b>375</b>	<b>8,756</b>
<b>Total Proved + Probable</b>					
December 31, 2021	210	5,243	30,872	726	11,324
Extensions and improved recovery	-	237	1,188	21	456
Technical Revisions <sup>(3)</sup>	(90)	684	24	(191)	408
Acquisitions	-	-	6,955	6	1,165
Economic Factors	22	229	2,559	44	721
Production	(25)	(219)	(1,085)	(20)	(445)
<b>December 31, 2022<sup>(4)</sup></b>	<b>117</b>	<b>6,174</b>	<b>40,512</b>	<b>586</b>	<b>13,629</b>

(1) Gross reserves are Company working interest reserves before royalty deductions.

(2) Based on the January 1, 2023 Consultant Average Price Forecast.

(3) Includes category transfers

(4) Numbers may not add due to rounding.

## Summary of Net Present Values of Future Net Revenue as at December 31, 2022

Benchmark crude oil and NGL prices used are adjusted for quality of crude oil or NGL produced, and for transportation costs. The calculated after-tax NPVs are based on the Consultant Average Price Forecast at January 1, 2023. The NPVs include ADR but do not include a provision for interest, debt service charges and general and administrative expenses. It should not be assumed that the NPV estimate represents the fair market value of the reserves.

Reserve Category	After Tax Net Present Value Discounted at <sup>(1)(2)</sup>				
	0% (\$000)	5% (\$000)	10% (\$000)	15% (\$000)	20% (\$000)
<b>Proved</b>					
Proved Developed Producing	30,944	43,465	48,276	49,474	48,972
Proved Developed Non-Producing	319	696	870	932	933
Proved Undeveloped	71,758	51,044	36,894	27,116	20,219
<b>Total Proved</b>	<b>103,021</b>	<b>95,205</b>	<b>86,040</b>	<b>77,523</b>	<b>70,124</b>
<b>Total Probable</b>	<b>98,971</b>	<b>72,651</b>	<b>55,079</b>	<b>43,106</b>	<b>34,710</b>
<b>Total Proved + Probable<sup>(3)</sup></b>	<b>201,992</b>	<b>167,856</b>	<b>141,119</b>	<b>120,629</b>	<b>104,834</b>

(1) Based on the January 1, 2023 Consultant Average Price Forecast.

(2) Numbers may not add due to rounding.

(3) Includes abandonment and reclamation costs as defined in NI 51-101.

## Finding and Development Costs and Recycle Ratios

FDC reflects the future capital costs, as provided by the Company and included in the McDaniel Report, to bring Tenaz's proved and probable developed and undeveloped reserves on production. Changes in forecasted FDC occur annually as a result of development activities, acquisition and disposition activities, changes in capital cost estimates based on improvements in well design and performance, and changes in service costs.

Tenaz has incurred the following FD&A<sup>(5)</sup> and F&D<sup>(5)</sup> costs including FDC:

	2022		
	PDP	1P	2P
<b>F&amp;D and FD&amp;A Costs per boe<sup>(1)(2)(3)(5)</sup></b>			
F&D Costs per boe (including FDC)	\$17.74	\$16.01	\$14.69
FD&A Costs per boe (including FDC)	\$10.50	\$11.40	\$9.53
<b>Recycle Ratio (x)<sup>(2)(4)(5)</sup></b>			
F&D (including FDC)	2.4	2.6	2.9
FD&A (including FDC)	4.0	3.7	4.4

(1) Barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 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. See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" in this press release.

(2) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development capital generally will not reflect total finding and development costs related to reserve additions for that year.

(3) The calculation of F&D and FD&A costs includes the change in FDC required to bring proved undeveloped and developed reserves into production. The F&D or FD&A number is calculated by dividing the identified capital expenditures by applicable reserve additions including extensions, infills, revisions, acquisitions and disposals, and economic factors, after changes in FDC costs.

(4) Recycle Ratio is calculated by dividing operating netback (a non-GAAP measure) by the cost of adding reserves ("F&D Cost").

(5) "FD&A Cost", "F&D Cost", and "Recycle Ratio" do not have standardized meanings and therefore may not be comparable with the calculation of similar measures for other entities. See "Information Regarding Disclosure on Oil and Gas Reserves and Operational Information" in this press release.



## About Tenaz Energy Corp.

Tenaz is an energy company focused on the acquisition and sustainable development of international oil and natural 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 and has non-operated natural gas production assets offshore Netherlands.

### ADVISORIES

#### Non-GAAP and Other Financial 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”, “adjusted working capital (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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and sometimes referred to in this press release as Generally Accepted Accounting Principles (“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

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 settling liabilities. Funds flow from operations is calculated as cash flow from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled. Funds flow from operations is not intended to represent cash flows from operating activities calculated in accordance with IFRS. A summary of the reconciliation of cash flow from operating activities to funds flow from operations, is set forth below:

(\$000)	Q4 2022	Q3 2022	Q4 2021	2022	2021
Cash flow from operating activities	4,809	1,444	373	9,347	3,945
Change in non-cash operating working capital	(1,829)	836	(157)	(991)	(446)
Decommissioning liabilities settled	256	-	-	256	-
<b>Funds flow from operations</b>	<b>3,236</b>	<b>2,280</b>	<b>216</b>	<b>8,612</b>	<b>3,499</b>

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.

#### Capital Expenditures

Tenaz considers capital expenditures to be a useful measure of the Company's investment in its existing asset base calculated as the sum of exploration and evaluation asset expenditures and property and equipment expenditures from the consolidated statements of cash flows that is most directly comparable to cash flows used in investing activities. The reconciliation to primary financial statement measures is set forth below:

(\$000)	Q4 2022	Q3 2022	Q4 2021	2022	2021
Exploration and evaluation expenditures	-	-	-	-	80
Property, plant and equipment expenditures	4,988	7,882	5,840	17,101	10,311
<b>Capital expenditures</b>	<b>4,988</b>	<b>7,882</b>	<b>5,840</b>	<b>17,101</b>	<b>10,391</b>

#### Adjusted working capital (net debt)

Management views adjusted working capital (net debt) as a key industry benchmark and measure to assess the Company's financial position and liquidity. Adjusted working capital (net debt) is calculated as current assets less current liabilities, excluding the fair value of financial instruments. Tenaz's adjusted working capital (net debt) as at December 31, 2022 and 2021 is summarized as follows:

(\$000)	December 31, 2022	December 31, 2021
Current assets	72,317	27,499
Current liabilities	(58,749)	(7,411)
Net current assets	13,568	20,088
Exclude fair value of financial instruments	476	600
<b>Adjusted working capital (net debt)<sup>(1)</sup></b>	<b>14,044</b>	<b>20,688</b>

#### Operating Netback

Tenaz calculates operating netback on a dollar and per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs. 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. Tenaz's operating netback is disclosed in the “Financial and Operational Summary” section of this press release.

## **Information Regarding Disclosure on Oil and Gas Reserves and Operational Information**

All amounts in this press release are stated in Canadian dollars unless otherwise specified. Tenaz's crude oil, natural gas liquids and natural gas reserves statement for the year ended December 31, 2022, which includes disclosure of its crude oil, natural gas liquids and natural gas reserves oil and gas information in accordance with NI 51-101, is contained within the Company's AIF available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.tenazenergy.com](http://www.tenazenergy.com). The recovery and reserve estimates are estimates only and there is no guarantee that the estimated reserves will be recovered.

This press release contains metrics commonly used in the oil and natural gas industry, such as "reserve life indices", "recycle ratio", "finding and development (F&D) costs", "recycle ratios", "finding, development and acquisition (FD&A) costs", and "operating netback". Each of these metrics are determined by Tenaz as specifically set forth in this press release. These terms do not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included to provide readers with additional information to evaluate the Company's performance however, such metrics should not be unduly relied upon for investment or other purposes. Management uses these metrics for its own performance measurements and to provide readers with measures to compare Tenaz's performance over time.

Both F&D and FD&A costs take into account reserves revisions during the year on a per boe basis. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total F&D costs related to reserves additions for that year.

Management uses these oil and natural gas metrics for its own performance measurements and to provide shareholders with measures to compare Tenaz's performance over time, however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

### **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", "guidance", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "could", "believe", "plans", "potential", "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: Tenaz's capital plans and budget for 2023, and our anticipated operational and financial performance; forecasted average production volumes for 2023; our NCIB; the ability to grow our assets domestically and internationally; statements relating to a potential CCS project; and the corporate strategy proposed by the Tenaz 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; expectations regarding future development; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; expectations regarding future acquisition opportunities; the accuracy of the estimates of the Company's reserves volumes; certain commodity price, interest rate, inflation 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 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.

For further information, contact:

Tenaz Energy Corp.

[investors@tenazenergy.com](mailto:investors@tenazenergy.com)

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

Bradley Bennett  
Chief Financial Officer  
Direct: 587 330 1714