TENAZ ENERGY CORP. ANNOUNCES ACQUISITION OF EUROPEAN GAS ASSETS

/NOT FOR DISSEMINATION IN THE UNITED STATES. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAW/

CALGARY, AB, June 26, 2023 /CNW/ - Tenaz Energy Corp. ("Tenaz", "Our", "We", or the "Company") (TSX:TNZ) is pleased to announce an agreement to acquire 100% of the issued and outstanding shares (the "Acquisition") of XTO Netherlands Ltd. ("XTO") from XH LLC ("XH"), a wholly owned subsidiary of ExxonMobil Corporation. Closing of the Acquisition is expected to occur in Q3 2023. Tenaz will not be issuing equity in connection with the Acquisition.

The Acquisition generates the following advantages for Tenaz:

- Expands upstream and midstream free cash flow[(1)] by consolidating ownership in existing Netherlands assets;
- Significantly increases positive adjusted working capital[(1)];
- Accretive on key per share measures[(1)], including production, reserves, cash flow and free cash flow[(1)];
- Increases exposure to high-margin Dutch Title Transfer Facility ("TTF") gas; and
- Demonstrates ability to transact with an international major in a geographic region of focus.

Acquired Assets

Upstream Assets

The Acquisition increases Tenaz's working interest in each of the L10/L11a, K9, K12 and N7b license blocks. Upon completion, our interest in the producing licenses will increase as follows:

- L10/L11a: from 11.35% to 21.43%
- K9a and K9b: from 8.44% to 15.94%
- K9c: from 6.49% to 12.26%
- K12: from 5.67% to 10.71%
- N7b: from 9.45% to 17.86%

Tenaz's interest in the undeveloped F10, F11a, F17, and F18 licenses remains unchanged as a result of the Acquisition, as does our interest in the producing L10-O field, which XTO elected not to participate in when drilled.

Midstream Assets

Tenaz will also acquire an additional 10.1% ownership interest in Noordgastransport B.V. ("NGT"), bringing our total interest to 21.4% and making us the second largest shareholder of NGT. Tenaz expects to receive distributions from its ownership in NGT through annual dividends. The most recent dividend declared to the NGT shareholder group attributable to 2022 results was $27.0 million (€18.4 million), continuing a history of paying dividends to shareholders for over twenty consecutive years. Decommissioning costs for NGT are provisioned and held within NGT's working capital.

Carbon Reduction Project

The entity to be acquired does not hold rights to the L10 Carbon Capture & Storage ("CCS") Project, which is currently being evaluated by the L10 Partner Group. Tenaz holds an 11.35% interest in the CCS project, which remains unchanged as a result of the Acquisition.

Reserves Volumes and Net Present Value

McDaniel and Associates ("McDaniel") has completed an independent assessment of the reserves associated with the assets and have assigned 664 mboe (99% natural gas) of Total Proved + Probable ("2P") reserves as at July 1, 2023. McDaniel's evaluation projects that the upstream assets will have a remaining productive life of 13 years. McDaniel's assessment of after-tax net present value, discounted at ten percent ("NPV10"), of the 2P reserves on the most recent

[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.

Consultant Average Price Forecast(2) equates to $7.4 million (€5.1 million), after taking into account estimated decommissioning costs.

Working Capital Increase

In addition to the license interests and NGT equity held by XTO, XH will leave approximately $46.5 million (€32.0 million) of positive adjusted working capital(1), which includes a cash balance of approximately $61.8 million (€42.8 million)(3), in the acquired entity at closing. These amounts reflect an economic effective date for the Acquisition of January 1, 2023 and include expected cash flows for the first half of 2023.

Production and Funds Flow

The acquired assets are expected to produce approximately 450 to 500 boe/d during 2023, which would represent an increase of 20% to production per share(1) relative to the midpoint of Tenaz's 2023 production guidance. Based upon year-to-date results plus forecasted cash flows at strip pricing(4) for the remainder of 2023 as at June 23, 2023, funds flow from operations(1) ("FFO") for full-year 2023 would be $7.4 million (€5.1 million). The portion of the projected production and FFO which will be recognized in our 2023 results will depend on the timing of closing of the Acquisition.

Decommissioning Security

Present value of decommissioning liability associated with the acquired assets is estimated to be approximately $29.2 million(5) (€20.1 million). At close, $15.3 million (€10.5 million) of the acquired cash within XTO will be pledged as decommissioning security(3), in accordance with the decommissioning security agreements applicable to the acquired interests.

Updated 2023 Guidance

CAPEX(1) for the acquired assets is estimated to be $1 to $2 million during the second half of 2023. As capital requirements for Tenaz's existing Netherlands assets are currently running below the low end of the guidance range, Tenaz is not adjusting its consolidated CAPEX guidance at this time.

The production increase from the Acquisition will depend on the timing of closing. Assuming that the closing occurs during Q3 2023, the anticipated calendar 2023 production increase would be approximately 100 to 200 boe/d.

Consequently, Tenaz is updating its previously announced 2023 capital and production guidance as follows:

Pro Forma 2023	Previous 2023 Guidance	Updated 2023 Guidance
Production (boe/d)	2,200 – 2,300	2,300 – 2,500
Capital expenditure(1) ($ million)	$20 - $24	$20 - $24

Advisors

Tenaz engaged with ATB Financial, Ernst & Young, Torys LLP, Lawson Lundell LLP, HEUSSEN Advocaten & Notarissen, McDaniel and Associates Consultants Ltd. and Gallagher Energy Risk Services on the Acquisition.

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2 Consultant Average Pricing assumed TTF gas pricing of €48.26/MWh for the second half of 2023, €56.91/MWh for 2024, and €50.44/MWh for 2025.

3 Cash balance of approximately $61.8 million (€42.8 million) includes restricted cash of $15.3 million (€10.5 million) which will be pledged as decommissioning security.

4 TTF strip pricing for the second half of 2023 of €42.82/MWh, €54.24/MWh for 2024, and €45.73/MWh for 2025, as at June 23, 2023.

5 Discounted liability based on assumptions that would have been applicable if the acquisition had occurred at the end of the first quarter of 2023. Using the Q1 2023 assumptions, the inflation rate would have been 2.5% and the credit-adjusted risk-free rate would have been 13.8%.

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. Tenaz has domestic operations in Canada along with offshore natural gas assets in the Netherlands. The domestic operations consist of a semi-conventional oil project in the Rex member of the Upper Mannville group at Leduc-Woodbend in central Alberta. The Netherlands natural gas assets are located in the Dutch sector of the North Sea.

For further information on Tenaz, the Acquisition and the acquired assets please go to the Tenaz website at www.tenazenergy.com. Further information on NGT can be found at https://noordgastransport.nl.

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)", "free cash flow", "midstream income" 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.

Free Cash Flow ("FCF")

Tenaz considers free cash flow to be a key measure of performance as it demonstrates the Company's excess funds generated after capital expenditures for potential shareholder returns, acquisitions, or growth in available liquidity. FCF is a non-GAAP financial measure most directly comparable to cash flows used in investing activities and is comprised of funds flow from operations less capital expenditures.

Free cash flow per share is calculated using basic and diluted weighted average number of shares outstanding in the period.

Funds flow from operations ("FFO")

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 plus income from associate and 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.

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

Per share accretion metrics

Management uses key per share numbers, including production, reserves, cash flow and free cash flow as acquisition metrics to determine the increase of consolidated pro forma production, reserves, cash flow and free cash flow attributable to Tenaz shareholders following the proposed Acquisition.

Production per share is calculated as the production guidance for 2023 attributable to Tenaz shareholders.

Reserves per share is calculated as the Company's 2P reserves attributable to Tenaz shareholders.

FCF per share is calculated as FFO attributable to Tenaz shareholders.

Capital Expenditures ("CAPEX")

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, plant and equipment expenditures from the consolidated statements of cash flows that is most directly comparable to cash flows used in investing activities.

Working capital and Adjusted working capital (net debt)

Working capital is calculated as current assets less current liabilities. 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 derivative instruments.

Consultant Average Price Forecast

The forecast prices used are based on an average of the price decks of three independent engineering firms, GLJ Ltd., Sproule Associates Limited and McDaniel & Associates Consultants Ltd. McDaniel employed pricing, exchange rate and inflation rate assumptions as of April 1, 2023 in the estimating of reserves data for the purposes of this report.

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 and assumptions pertaining to: the Acquisition including, without limitation, the anticipated closing of the Acquisition, reserves associated with, and net present value and remaining productive life of, the upstream assets, estimated decommissioning liabilities, anticipated 2023 production, forecast FFO, cash balances following the completion of the Acquisition, anticipated Acquisition advantages, and estimated 2023 CAPEX for the acquired assets; tariff revenue generated through Tenaz's NGT ownership; the CCS Project, including anticipated benefits thereof; 2023 capital and production guidance; 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 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: the ability of management to execute its business plan or realize anticipated benefits from the Acquisition; 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 securities laws.

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