TENAZ ENERGY CORP. ANNOUNCES Q1 2024 RESULTS

CALGARY, AB, May 8, 2024 /CNW/ - Tenaz Energy Corp. ("Tenaz", "We", "Our", "Us" or the "Company") (TSX: TNZ) is pleased to announce its financial and operating results for the three months ended March 31, 2024.

The unaudited interim condensed consolidated financial statements and related management's discussion and analysis ("MD&A") are available on SEDAR+ at www.sedarplus.ca and on Tenaz's website at www.tenazenergy.com. Select financial and operating information for the three months ended March 31, 2024 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.

HIGHLIGHTS

First Quarter Operating and Financial Results

- Production volumes averaged 2,887 boe/d(1) in Q1 2024, down 8% from Q4 2023, due to natural decline in Leduc-Woodbend ("LWB") wells drilled in 2023 and Netherlands downtime. Production increased 24% over Q1 2023 due to LWB drilling and the acquisition of additional interest in the Netherlands in July 2023.

- Funds flow from operations ("FFO")(2) for the first quarter was $7.0 million, down 47% from Q4 2023 and 3% from Q1 2023. Lower FFO versus Q4 2023 resulted primarily from lower production levels. In the year-over-year comparison lower prices in Q1 2024 were largely offset by higher production levels.

- Q1 2024 capital expenditures ("CAPEX") were $3.8 million. Most of the CAPEX was in the Netherlands for well stimulation activities. The bulk of our 2024 CAPEX will occur in the second half of the year, with Canadian drilling planned for Q3. Free cash flow(2) in Q1 2024 was $3.2 million.

- During Q1, we executed a definitive agreement to acquire a gas plant and proximal oil and gas leasehold assets from a private company for expected consideration at close of $2.8 million, net to Tenaz. We posted cash into escrow to fund this purchase during Q1. The acquisition is conditional on approval of the Alberta Energy Regulator ("AER") and is expected to close during Q2 2024. After closing, Tenaz will own 100% of the gas plant and 87.5% of the acquired leasehold assets.

  The acquisition provides us with ownership and operating control of the gas plant and pipeline infrastructure that processes our gas production from the LWB field. In addition, the plant generates processing revenue from third-party gas volumes, with significant unused capacity to process more gas. The leasehold assets have minor current production, but contain several potential drilling opportunities in the Rex Member and Ellerslie Formation of the Mannville Group.

  An independent evaluation by McDaniel and Associates with an effective date of January 1, 2024 has estimated an after-tax NPV10 of $9.3 million for the plant and developed portion of the leasehold. In addition, we have identified multiple undeveloped horizontal drilling opportunities in the Ellerslie Formation providing further upside to the acquisition.

- Net loss for Q1 2024 was $0.6 million, as compared to net income of $3.5 million in Q4 2023 and $2.9 million in Q1 2023. Lower income compared to Q4 2023 resulted primarily from lower production, decreased natural gas prices, and higher Netherlands operating expense due to higher field activity.

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(1) 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.

(2) 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.

- We ended the quarter with positive adjusted working capital[2] of $48.7 million, little changed from year-end 2023 and up substantially from Q1 2023, primarily due to the Netherlands XTO acquisition in Q3 2023.

- Our Normal Course Issuer Bid ("NCIB") program retired 0.2 million common shares at an average cost of $3.67 per share during Q1 2024. As of the end of April 2024, we have retired 2.0 million shares at an average cost of $2.77 per share (7.0% of basic common shares) through the NCIB.

Budget and Outlook

- Annual guidance for capital expenditures remains unchanged at $26 to $28 million, with Canadian drilling activity slated for the second half of the year.

- Annual production guidance of 2,700 to 2,900 boe/d remains unchanged.

FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended		
($000 CAD, except per share and per boe amounts)	**Mar 31 2024**	Dec 31 2023	Mar 31 2023
FINANCIAL			
Petroleum and natural gas sales	**17,886**	21,261	17,926
Cash flow from operating activities	**6,218**	8,927	5,117
Funds flow from operations[1]	**7,043**	13,401	7,274
Per share – basic[1]	**0.26**	0.50	0.26
Per share – diluted[1]	**0.24**	0.45	0.25
Net income (loss)	**(557)**	3,515	2,882
Per share – basic	**(0.02)**	0.13	0.10
Per share – diluted	**(0.02)**	0.12	0.10
Capital expenditures[1]	**3,816**	2,967	683
Adjusted working capital (net debt) [1]	**48,740**	49,338	18,763
Common shares outstanding			
End of period – basic	**26,703**	26,793	27,733
Weighted average for the period – basic	**26,779**	26,963	27,917
Weighted average for the period – diluted	**29,494**	29,970	28,545
OPERATING			
Average daily production			
Heavy crude oil (bbls/d)	**1,149**	1,342	937
Natural gas liquids (bbls/d)	**70**	75	63
Natural gas (Mcf/d)	**10,005**	10,310	8,022
Total (boe/d)[2]	**2,887**	3,135	2,337
($/boe)[2]			
Petroleum and natural gas sales	**68.08**	73.71	85.23
Royalties	**(5.81)**	(5.89)	(6.28)
Transportation expenses	**(2.99)**	(3.50)	(3.41)
Operating expenses	**(26.05)**	(19.36)	(24.69)
Midstream income[1]	**4.29**	4.86	4.36
Operating netback[1]	**37.52**	49.82	55.21
BENCHMARK COMMODITY PRICES			
WTI crude oil (US$/bbl)	**76.97**	78.33	76.11
WCS (CAD$/bbl)	**77.80**	76.86	74.52
AECO daily spot (CAD$/Mcf)	**2.50**	2.30	3.24
TTF (CAD$/Mcf)	**11.83**	18.52	22.78

[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] 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 are pleased to provide our results for the first quarter of 2024. From an operating perspective, the quarter unfolded largely as we expected, with production 8% lower than Q4 2023, and up 24% from the year-ago quarter. Canadian production was down modestly from Q4 2023, as the four LWB wells we drilled last year continued their strong performance but began to decline during Q1. Netherlands production was also moderately lower than in Q4 2023 due to a combination of planned and unplanned downtime. The production increase over Q1 2023 was driven by Canadian drilling in the second half of 2023 and the second of our two non-operated acquisitions in the Netherlands, which closed in Q3 2023. We generated FFO of $7.0 million in Q1 2024, which was coupled with modest seasonal CAPEX of $3.8 million. As a result, our positive adjusted working capital (negative net debt)[3] was little changed at $48.7 million, including the effect of our NCIB program.

Our main focus remains international acquisitions. At the same time, we continue to build on our valuable and growing asset at Leduc-Woodbend in Alberta with small value-adding acquisitions. During Q1, we executed a definitive agreement to purchase the Watelet gas plant, relevant pipelines, and proximal oil and gas properties from a private company, with an effective date of January 1, 2024. The gas plant is adjacent to our LWB field and processes all of our produced gas. Tenaz' net expected consideration at closing is $2.8 million, with the exact amount depending on final accounting adjustments for interim cash flows and other customary items. The purchase is being funded from our cash balances with $3.45 million placed in escrow for the purchase during Q1 2024. The deposit included our partner's 12.5% share of the purchase price. After closing, Tenaz will own 87.5% of the leasehold assets and 100% of the gas plant. The acquisition is conditional upon approval of the AER, which is expected during Q2 2024.

With its existing processing and compressor configuration, the Watelet plant has a throughput capacity of 7.5 MMcf/d. Current throughput is about 75% of this existing capacity, with Tenaz gas volumes comprising approximately three-quarters of current throughput. Capacity can be expanded to approximately 12 MMcf/d with reactivation of an idle compressor unit. Although our LWB gas production is sweet, the gas plant is licensed for sour service, with a licensed capacity of 20 MMcf/d. We expect to increase throughput of proprietary gas from continued development of the LWB field. In addition, we may expand processing of third-party volumes from other operators in the area. As owner and operator of the Watelet plant and associated pipeline infrastructure, Tenaz will gain control of gas egress and processing for LWB, providing greater security for our long-term development plans, as well as the ability to maximize runtime and operating efficiency of the plant.

The oil and gas properties acquired with the plant include eight proved developed wells with minor production. An independent evaluation by McDaniel and Associates with an effective date of January 1, 2024 has estimated an after-tax NPV10 of $9.3 million for the plant and developed portion of the leasehold. In addition, we have identified multiple undeveloped horizontal drilling opportunities in the Ellerslie Formation providing further upside to the acquisition.

The LWB field continues to produce as expected, with first quarter production 5% lower than in Q4 2023 due to natural declines and the absence of initial flush production from our most recent wells. We expect to commence our 2024 drilling program during Q3, with production contributions from the program expected later in the second half of 2024. While the new wells can be brought online within our overall existing facility capacity, part of our 2024 CAPEX will go toward localized facility modifications to optimize production operations and enhance long-term fluid processing capabilities at LWB.

Our non-operated natural gas asset in the Netherlands also produced at rates consistent with our annual production guidance. Q1 2024 production was 13% lower than Q4 2023, mainly due to a combination of planned and unplanned downtime. During the quarter, operator Neptune Energy Netherlands B.V. ("Neptune") successfully stimulated two wells (both with 12.3% Tenaz working interest). After stimulation, the wells were brought on production at the beginning of April at gross rates of 2.0 to 2.5 MMcf/d per well.

Neptune and its partners in the L10 field continue to study the technical merits and assess the commercial viability of carbon capture and storage ("CCS") in the L10 reservoir. If commercially viable, the CCS project has the potential to store 96 million tonnes ("mt") of CO_2 (10.9 mt net to Tenaz) with contemplated annual capacity of up to 5 mt. The proximity of the planned Aramis CCS pipeline to L10 creates an opportunity for collaboration with other potential CCS operators to improve economies of scale for the L10 project.

Despite continued volatility in commodity prices, our realized prices remain at levels that generate free cash and provide strong project returns. Spot price for TTF gas is currently $13.33/Mcf[1], with a forward price for the remainder of 2024 at

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[1] As of close of markets on May 8, 2024.

$14.31/Mcf[1] and calendar 2025 at $15.29/Mcf[1].

We have physically fixed approximately 20% of our Q2 and Q3 2024 TTF gas at $14.58/Mcf. In addition, we have physically fixed approximately 20% of our winter 2024-2025 TTF exposure at a price of $14.00 per Mcf, and collared an additional 20% for the same period within a range of $13.74 to $17.49 per Mcf.

WCS oil is also a significant product for Tenaz. With prompt WTI currently at approximately US$79.25/bbl[1] and WCS differentials contracting to under US$12.00/bbl during line fill of the TMX pipeline, WCS crude has a current value of approximately $92/bbl. Our LWB crude sells as WCS without the addition of diluent. Though WTI prices are now off the recent highs of March 2024, we view the market backdrop for both global crude and local WCS differentials as generally positive. We remain unhedged for our oil exposure.

While Canadian natural gas is a less-significant product in our mix, AECO remains a challenged product with spot AECO at $1.30/Mcf[1] and the balance of 2024 forward at $1.96/Mcf[1]. We have fixed approximately 25% of our winter 2024-2025 AECO exposure at a price of $3.28/Mcf.

With respect to our organization, we continue to expand our capabilities with the appointment of Brian Giang to the position of Vice-President of Finance, reporting to Bradley Bennett, our CFO. Mr. Giang brings significant international oil and gas accounting and finance experience to our team. He joins Tenaz after thirteen years at Vermilion Energy where he most recently was Director of Finance. Prior to that, Mr. Giang worked for Deloitte Canada for four years, predominantly in audit with an emphasis on oil and gas companies. He has a Bachelor of Commerce from the University of Alberta and holds a Chartered Professional Accountant designation in Alberta. We are excited that Mr. Giang has joined our team and view his appointment as another key step in building the capabilities to support our business model.

As stated in our previous communications, we plan to expand our asset base in our regions of interest by executing additional value-adding transactions. We pursue these M&A investments in an oil and gas asset market that is well-populated with projects that are aligned with our strategy. We are optimistic about our transaction pipeline, as we have been able to maintain and advance those projects which are closest to fruition, while at the same time bringing additional high-quality prospective transactions into our long-term mix.

As we have also stated before, we make no guarantees with respect to timing, but are confident that our business model and transaction pipeline will produce value-adding acquisitions for our existing shareholders. Our ongoing organizational strengthening reflects this confidence and illustrates our readiness to execute such transactions. Finally, the management and Board of Directors of Tenaz remain aligned with the rest of our shareholders through our growing ownership of Tenaz shares.

/s/ Anthony Marino

President and Chief Executive Officer
May 8, 2024

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.

Additional information regarding Tenaz is available on SEDAR+ and its website at www.tenazenergy.com. Further information on NGT can be found at https://noordgastransport.nl. Tenaz's Common Shares are listed for trading on the Toronto Stock Exchange under the symbol "TNZ".

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 IFRS Accounting 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 ("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. A summary of the reconciliation of cash flow from operating activities to funds flow from operations, is set forth below:

($000)	**Q1 2024**	Q4 2023	Q1 2023
Cash flow from operating activities	**6,218**	8,927	5,117
Change in non-cash operating working capital	**(2,900)**	(3,113)	907
Decommissioning liabilities settled	**2,597**	6,187	333
Income from associate	**1,128**	1,400	917
Funds flow from operations	**7,043**	13,401	7,274

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 drilling and development costs and exploration and evaluation costs. Exploration and evaluation asset additions (being exploration and evaluation costs) and property, plant and equipment additions (being drilling and development costs) 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)	**Q1 2024**	Q4 2023	Q1 2023
Exploration and evaluation	**518**	357	36
Property, plant and equipment	**3,298**	2,610	647
Capital expenditures	**3,816**	2,967	683

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. A summary of the reconciliation of the measure, is set forth below:

($000)	**Q1 2024**	Q4 2023	Q1 2023
Funds flow from operations	**7,043**	13,401	7,274
Less: Capital expenditures	**(3,816)**	(2,967)	(683)
Free cash flow	**3,227**	10,434	6,591

Midstream Income

Tenaz considers midstream income an integral part of determining operating netback. Operating netbacks assists management and investors with evaluating operating performance. Tenaz's midstream income consists of the income from its associate, Noordtgastransport B.V. and excludes the amortization of fair value increment of NGT that is included in the equity investment on the balance sheet. Under IFRS, investments in associates are accounted for using the equity method of accounting. Income from associate is Tenaz's share of the investee's net income and comprehensive income. Operating netback is disclosed in the "Operating Netback" section below.

($000)	***Q1 2024***	*Q4 2023*	*Q1 2023*
Income from associate	***888***	*3,507*	*917*
Plus: Amortization of fair value increment of NGT	***240***	*857*	*-*
Midstream income	***1,128***	*4,364*	*917*

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 derivative instruments. Tenaz's adjusted working capital (net debt) as at March 31, 2024 and December 31, 2023 is summarized as follows:

($000)	***March 31, 2024***	*December 31, 2023*
Current assets	***91,455***	*92,488*
Current liabilities	***(43,038)***	*(43,988)*
Net current assets	***48,417***	*48,500*
Exclude fair value of derivative instruments	***323***	*838*
Adjusted working capital (net debt)[(1)]	***48,740***	*49,338*

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.

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; activities and budget for 2023, and our anticipated operational and financial performance; expected well performance; expected economies of scale; forecasted average production volumes and capital expenditures for 2023; the proposed gas plant and leasehold assets acquisition; the ability to grow our assets domestically and internationally; statements relating to a potential CCS project; and the Company's strategy.

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 proposed and 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 and obligations and commitments. 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 oil and gas interests, increased debt levels or debt service requirements; inaccurate estimation of the Company's oil and gas reserve or 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 or otherwise, except as may be required pursuant to applicable laws.

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