



TENAZ ENERGY CORP. ANNOUNCES AGREEMENT TO ACQUIRE THE SHARES OF SDX ENERGY PLC IN AN ALL-SHARE TRANSACTION

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

CALGARY, AB, May 25, 2022 /CNW/ - Tenaz Energy Corp. ("**Tenaz**", "**we**", "**our**", "**us**" or the "**Company**") (TNZ: TSX) is pleased to announce it has reached an agreement to acquire all of the issued and to be issued share capital of SDX Energy PLC ("**SDX**") in an all-share transaction (the "**Transaction**"). In the Transaction, SDX shareholders will receive 0.075 common shares of Tenaz ("**Tenaz Shares**") for each SDX share ("**SDX Share**") held, valuing SDX at \$34.3mm based on the May 24, 2022 closing price of Tenaz Shares, representing a 28% premium to the May 24, 2022 closing price of SDX Shares. All monetary amounts are in Canadian Dollars.

Completion of the Transaction is subject to a number of conditions and approvals including, but not limited to, the approval of the TSX, and shareholders of both Tenaz and SDX. It is expected that Tenaz will hold a shareholder meeting to approve the Transaction in late June or early July, with SDX expected to hold a shareholder meeting to approve the Transaction in July.

The Transaction

Tenaz is focused on the acquisition and sustainable development of international oil and gas assets capable of returning free cash flow to shareholders. SDX has producing assets in Egypt and Morocco which are well suited to Tenaz's corporate strategy. Both countries are within Tenaz's primary regions of focus, and SDX's assets create a production base with the potential to build an operating presence of significant scale over time. Egypt is a resource rich country that recognises the importance of the oil and gas industry to its economy and energy security, and accordingly, encourages sustainable hydrocarbon development. Morocco has a supportive fiscal environment with local natural gas demand that provides a ready market for domestic production.

As at year-end 2021, SDX held approximately \$23.7 million of working capital (including \$13.5 million of cash), no debt and \$89 million of Canadian tax pools.

With the Transaction, we will have proforma proved and plus (2P) reserves of 17.3 mmboe (as of December 31, 2021) and production in excess of 4,500 boe/d, as outlined below:

	SDX Previously Stated 2022 Public Guidance*	Tenaz Energy Previously Stated 2022 Public Guidance
Production (mboe/d)	3,300 - 3550	1,200-1,300
Capital Expenditures** (\$Million)	\$27.5 - \$29.4	\$5.8

* SDX production guidance excludes minority interest associated with 33% WI sale in the South Disouq area announced subsequent to year end 2021. See "Reader Advisories" below.

** Non-GAAP measure. See "Reader Advisories" below.

The Transaction is 141% accretive to Tenaz on production per share based on the mid-points of

2022 production guidance for each of Tenaz and SDX. To remain compliant with The City Code on Takeover and Mergers (the "Code") of the United Kingdom, Tenaz cannot provide a forward-looking estimate of cash flow or profitability accretion. Using historic reported financial data for Q4 2021, the Transaction would have been 212% accretive to Tenaz for operating income per share.

Following completion of the Transaction, existing Tenaz Shareholders will own approximately 64 percent of the issued and outstanding shares of the combined company, and existing SDX Shareholders will own approximately 36 percent.

Additions To Tenaz Board

As part of the Transaction, Tenaz has invited two independent SDX Directors to join the board of directors (the "Board") of Tenaz, the appointments of which are to be effective, subject to, and conditional upon, the consummation of the Transaction and approval by Tenaz shareholders:

Michael Doyle <i>Independent Director</i>	Principal of CanPetro International Ltd Previously Chairman of SDX Energy, Chairman of Equal Energy Ltd., CEO of Petrel Robertson Ltd, Founder and Ex-Chairman of Madison PetroGas. Bachelor of Science (Math and Physics) from University of Victoria
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Catherine Stalker <i>Independent Director</i>	Partner at Independent Audit Ltd and Director of PUMB Previously Director of SDX Energy, Director of DTEK Grids BV and DTEK Energy BV, and Partner at PwC. Master of Science from London School of Economics and BA (Honours) from Heriot Watt University
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Each of Marty Proctor, Anna Alderson, John Chambers, Mark Rollins, and Anthony Marino will form the remainder of the Tenaz Board as existing Tenaz Directors.

SDX Asset Base Egypt

In Egypt, SDX has production in two areas:

1. a 36.9 percent operated interest in the South Disouq and Ibn Yunus gas fields, and a 67.0 percent operated interest in the Ibn Yunus North gas field, each of which are in the Nile Delta. These gas fields are serviced by a central processing facility, a ten-kilometer export pipeline. As per previously disclosed guidance, South Disouq is expected to have company interest production of 3,025 to 3,205 boe/d for 2022 (2,280 to 2,420 boe/d on an entitlement basis); and
2. a 50 percent non-operated interest in the Meseda and Rabul fields, located onshore in the Eastern Desert, situated in the G and H blocks of the West Gharib concession. At present, SDX and its partner are undertaking a 13-well drilling campaign that commenced in Q4 2021 and is expected to continue into 2023, with the goal of increasing gross field production from 2,400 bbl/d to 3,500 - 4,000 bbl/d by early 2023. As per previously disclosed guidance, net entitlement production (reflecting SDX share of cost and profit oil), is expected to be 420 to 505 bbl/d during 2022.

Morocco

In Morocco, SDX has a 75 percent working interest in four exploration permits, with expected 2022 production of 600 to 625 boe/d. The permits are situated in the Gharib Basin, are characterized by attractive gas prices and low operating costs, as follows:

1. Sebou Central and Gharb Occidental permits comprise SDX's core production area as well as possessing further development prospectivity. A significant portion of these permits is covered by high-quality 3D seismic which has historically yielded a high exploration/development success

rate. Produced gas is delivered to seven industrial customers via an 8" 55km pipeline and distribution network to the industrial city of Kenitra;

2. a Mimouna Sud exploration permit is adjacent to the producing Sebou/Gharb Occidental permits. Future discoveries will be tied into the existing gas distribution network; and
3. Moulay Bouchta Quest exploration license was awarded to SDX in 2019 for a period of eight years. SDX is required to reprocess 150 kilometers of 2D seismic data, acquire 100 km² of new 3D seismic, and drill one exploration well within the first three-and-a-half-year period of the license.

As of year-end 2021, SDX has net proved and probable (2P) reserves of 7.0 mmboe (or 6.0 mmboe as adjusted for sale of 33% interest in South Disouq subsequent to year end 2021) as per independent reserves report generated by Gaffney, Cline and Associates Limited. The SDX asset base contains limited asset retirement obligations totaling \$7.3 million.

SDX Share Option Scheme

In respect of the existing awards granted under the SDX Share Option Schemes, it is the intention of SDX's remuneration committee that, in aggregate, options over 3,183,713 SDX Shares will be determined as fully vested on the date of the Scheme Court Order (comprising 50% of all unvested awards outstanding as at the Latest Practicable Date). Vested SDX options granted under the SDX Share Option Schemes will be exercisable until six months (or, in the case of the SDX CSOP, twenty days) after the effective date (unless they lapse earlier under the terms of the SDX Share Option Schemes).

Approvals

Completion of the Transaction is subject to a number of conditions and approvals including, but not limited to, the approval of the TSX, the governments of Egypt and Morocco, and shareholders of both Tenaz and SDX. We expect to hold a special meeting of Tenaz shareholders to approve the Transaction in late June or early July 2022. In accordance with the rules of the TSX, Tenaz shareholder approval is required as the Transaction is expected to result in the issuance of Tenaz Shares in excess of 25% of the Tenaz Shares outstanding as of the date hereof. SDX is expected to hold a shareholder meeting to approve the Transaction in July 2022. Closing of the Transaction is expected late July or early August following shareholder approvals.

Board Recommendations

After considering, among other things, (i) the anticipated benefits of the Transaction; and (ii) the risks associated with completing the Transaction, the Tenaz Board has unanimously determined that the Transaction is in the best interests of Tenaz and the Tenaz shareholders, and unanimously recommends that Tenaz shareholders vote in favour of the resolutions relating to the Transaction.

Anthony Marino, Tenaz CEO and Director, commented that:

"This Transaction is an important step in the execution of our strategy for international growth. The Egyptian and Moroccan operations are within our primary regions for long-term focus, and we believe that these are high quality assets with numerous desirable organic investment opportunities. In addition, we believe that these areas offer opportunities for continued consolidation and resulting growth. Finally, we expect that the combination of our technical teams will enhance the operating, HSE and sustainability performance of these assets and future assets that we may acquire as we pursue our corporate strategy."

Similarly, SDX Directors believe the Transaction with Tenaz represents a compelling opportunity for

SDX shareholders, its employees and wider stakeholders to participate in Tenaz's growth while advancing its current endeavours on the assets. As such, following careful consideration, the SDX Directors intend to unanimously recommend the Transaction to SDX shareholders.

Support of SDX Shareholders

The SDX Directors have irrevocably undertaken to vote in favour of the Transaction at the SDX court meeting, and in favour of the SDX resolution to be proposed at the SDX general meeting, in respect of their own beneficial holdings (and the beneficial holdings which are under their control) of 5,020,606 SDX Shares representing, in aggregate, approximately 2.5 percent of SDX's issued ordinary share capital as at the close of business on the May 24, 2022.

Advisors

finnCap Ltd. is acting as the sole financial advisor to Tenaz. Torys LLP and Watson, Farley and Williams are acting as Canadian and U.S. and UK counsel respectively, to Tenaz. N.M. Rothschild, Sons and Co is acting as financial advisor to SDX in connection with the Transaction. Blakes LLP and BCLP are acting as North American and UK counsel to SDX respectively, in connection with the Transaction.

UK "Rule 2.7" Announcement

To remain compliant with the Code, Tenaz has released a "Rule 2.7" announcement in the UK market in connection with this Transaction. This announcement and other details of the Transaction can be found at www.tenazenergy.com.

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

Management uses the term "capital expenditures" as a measure of capital investment in exploration and production activity, as well as property acquisitions and dispositions, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A reconciliation of cash flow used in investing activities to capital expenditures can be found in the Company's most recent MD&A available on SEDAR at www.sedar.com under Tenaz's profile. The term "operating income" is used as a measure of profit generated from oil and gas activities. It is calculated by subtracting all costs associated with production and delivery to markets from revenues. The 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.

Information Regarding Disclosure on Oil and Gas Reserves

All reserves information in this press release relating to SDX's prior to the sale of its 33% interest in South Disouq subsequent to year end 2021 was prepared by Gaffney, Cline and Associates Limited, for SDX, effective December 31, 2021, in accordance with National Instrument 51-101 –

Standards of Disclosure of Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"). All reserves information in this press release relating to SDX as adjusted for the sale of its 33% interest in South Disouq subsequent to year end 2021 was prepared internally by Tenaz by a qualified reserves evaluator (non-independent), effective December 31, 2021, in accordance with NI 51-101 and the COGE Handbook. All reserves information in this press release relating to Tenaz was prepared by McDaniel and Associates Consultants Ltd., for Tenaz, effective December 31, 2021, in accordance with NI 51-101 and the COGE Handbook. The estimates of reserves for the Transaction may not reflect the same confidence level as estimates of reserves for all of Tenaz's properties, due to the effects of aggregation. All reserve references in this press release are "gross reserves". Gross reserves are a company's total working interest reserves before the deduction of any royalties payable by such company and before the consideration of such company's royalty interests.

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 anticipated shareholder meeting dates for both Tenaz and SDX; Tenaz's objectives and corporate strategy; the alignment of SDX's business and assets with Tenaz's corporate strategy; the Transaction providing Tenaz with a base with the potential to build an operating presence of significant scale; the expectation that fiscal and regulatory policies in Egypt and Morocco remain supportive of continued investment; the estimated total production of the combined entity; Tenaz's and SDX's production and capital expenditure guidance; the anticipated acquisition metrics; the expectation that two SDX Directors will join the Tenaz Board; SDX's developments plans with respect to its assets in Egypt and Morocco; SDX's asset retirement obligations; the treatment of SDX awards; the expected dilution of the Transaction to Tenaz shareholders; the expectations that the combination of our technical teams will enhance the operating, HSE and sustainability performance of the SDX assets and our future assets; the expectation that the Transaction represents a compelling opportunity for SDX shareholders, its employees and wider stakeholders; and the timing of closing of the Transaction. In addition, statements related to "reserves" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that the resources can be discovered and profitably produced in the future.

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: satisfaction of all conditions to the Transaction and receipt of all necessary approvals; the performance of the SDX assets; 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: the ability of management to execute its business plan or realise anticipated benefits from the Transaction; the risks of not obtaining court, shareholder, regulatory and other approvals for the Transaction; the ability of management to successfully integrate the SDX's business and assets; 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.

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

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