

Tenaz Energy Corp. Announces Addition Of A Cash Alternative To Previously Announced All-share Acquisition Of Sdx Energy Plc

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CALGARY, AB, June 30, 2022 /CNW/ - [Tenaz Energy Corp.](#) ("Tenaz", "we", "our", "us" or the "Company") (TSX: TNZ) is pleased to announce, concurrent with our disclosure in the UK market, the addition of a cash alternative (the "Cash Alternative") to the previously announced all-share acquisition (the "Transaction") of all of the issued and to be issued share capital of SDX Energy PLC ("SDX"). Under the terms of the Cash Alternative, SDX shareholders will retain the right to receive 0.075 common shares of Tenaz ("Tenaz Shares") for each SDX share ("SDX Share"), but will also be provided with an option to receive cash consideration for each SDX Share in lieu of receiving Tenaz Shares, subject to the terms and conditions outlined herein. Tenaz's full UK release can be accessed on the Tenaz website, www.tenazenergy.com. A summary of the key terms of the Cash Alternative are detailed below.

Completion of the Transaction remains subject to a number of conditions and approvals, including, but not limited to the approval of the Toronto Stock Exchange, shareholders of both Tenaz and SDX, and the applicable UK court. The addition of the Cash Alternative is not expected to create material delay to the timing of the shareholder votes or closing of the Transaction. It is expected that Tenaz and SDX will hold shareholder meetings to approve the Transaction in July 2022. Based on progress to date regarding required regulatory clearances, the parties are currently targeting closing of the Transaction between August and October 2022. Tenaz and SDX have also received UK regulatory approval to amend the longstop date for the Transaction to December 31, 2022. The previous longstop date was May 24, 2023.

The Cash Alternative

In recognition of the possibility that some SDX shareholders may prefer cash to receiving equity, Tenaz will make the Cash Alternative available to all SDX shareholders on the following terms:

- Each SDX shareholder retains the right to convert up to 100% of SDX Shares held to Tenaz Shares at the previously announced exchange ratio of 0.075 Tenaz Shares for each SDX Share.
- Each SDX shareholder will have the opportunity to elect to receive 11 pence per SDX Share for any or all of their SDX Shares, in cash and in lieu of receiving Tenaz Shares for the cash settled portion. SDX shareholders who elect to receive a portion of the Transaction proceeds in cash will have the remainder of their SDX Shares converted to Tenaz Shares.
- If no election is made within the election period, SDX shareholders will receive their consideration in the form of Tenaz shares at the previously announced exchange ratio of 0.075 Tenaz Shares for each SDX Share.

Updated Ownership and Implied Accretion

The following tables describe the pro forma percent ownership and per share accretion metrics* at various Cash Alternative election levels:

Percent Ownership of Pro Forma Tenaz		
Aggregate Election Level	Existing SDX Shareholders	Existing Tenaz Shareholders
100% cash (maximum cash uptake)	0 %	100 %
50% cash (mid-point cash uptake)	22 %	78 %
0% cash (no cash uptake / original all equity transaction)	35 %	65 %

Per Share Accretion* to Existing Tenaz Shareholders		
Aggregate Election Level	Production Per Share*	Operating Income Per Share*
100% cash (maximum cash uptake)	274 %	418 %
50% cash (mid-point cash uptake)	193 %	280 %
0% cash (no cash uptake / original all equity transaction)	141 %	212 %

* 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.

To the extent that current SDX shareholders elect to receive cash in lieu of Tenaz Shares, it is anticipated that accretion to existing Tenaz shareholders will increase.

Financing of the Cash Alternative

In order to provide the Cash Alternative, Tenaz will use its existing cash balance, supplemented by a reserve-based credit facility from ATB Financial. Further details of the credit facility will be provided in the information circular to be mailed to shareholders of Tenaz. If there is full uptake of the Cash Alternative by SDX shareholders, approximately C\$35.8 million would be utilized as cash consideration to SDX shareholders. As at March 31, 2022, Tenaz held a cash balance of approximately C\$21.8 million. As at March 31, 2022, SDX held approximately C\$15.2 million in cash, and an additional C\$16.5 million in non-cash net working capital*.

* 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.

Additional Disclosure Required for UK Regulatory Compliance

The Cash Alternative

SDX Shareholders may elect to receive cash instead of some or all of the New Tenaz Shares to which they would otherwise be entitled to under the Combination.

Any SDX Shareholder who validly elects to only receive cash for all of their SDX Shares will receive 11 pence in cash for each SDX Share for which a valid election has been made and no New Tenaz Shares. However, SDX Shareholders may also elect to receive New Tenaz Shares in lieu of part or all of the cash consideration which they would otherwise be entitled to receive pursuant to the Cash Alternative using the following exchange ratio:

for each SDX Share 0.075 New Tenaz Shares

The following table shows, for illustrative purposes only, and on the bases and assumptions set out in the notes below, the financial effects of the Combination on capital value for a holder of 1,000 SDX Shares if the

Scheme becomes Effective. The table shows the financial effects for both a holder who receives New Tenaz Shares in accordance with the Exchange Ratio, and a holder who makes an election for the Cash Alternative (i.e. is entitled to receive 11 pence in cash for each SDX Share held).

Column (A) compares the market value of SDX Shares on 24 May 2022 (being the last Business Day prior to the commencement of the Offer Period) with the market value of Tenaz Shares as at the same date. Column (B) compares the market value of SDX Shares on the last practicable date prior to the date of this announcement with the market value of Tenaz Shares as at the same date.

	(A)	(B)
	As at	As at
	24-May-22	29 June 22
New Tenaz Shares ⁽¹⁾		
Increase in capital value		
Consideration received on sale of 1,000 SDX Shares:		
Value of 75 New Tenaz Shares received based on the Exchange Ratio ⁽²⁾	£102.21	£115.57
Market value of 1,000 SDX Shares ⁽³⁾	£82.50	£92.50
Increase in capital value	£19.71	£23.07
Representing an increase of ⁽⁴⁾	23.9 %	25 %
Cash Alternative ⁽¹⁾		
Increase in capital value		
Consideration received on sale of 1,000 SDX Shares:		
Cash	£110.00	£110.00
Market value of 1,000 SDX Shares ⁽³⁾	£82.50	£92.50
Increase in capital value	£27.50	£17.50
Representing an increase of ⁽⁴⁾	33.3 %	18.9 %

Notes:

- (1) No account has been taken of any potential liability to taxation.
- (2) The market values of £102.21 (in column A) and £115.57 (in column B) for 75 New Tenaz Shares implied by the terms of the Combination are calculated based on the Closing Prices per Tenaz Share of:
 - (a) C\$2.19 per Tenaz Share, and a GBP:CAD exchange rate of 1.607, on 24 May 2022 (being the last Business Day prior to the commencement of the Offer Period); and
 - (b) C\$2.41 per Tenaz Share, and a GBP:CAD exchange rate of 1.564, on 29 June 2022 (being the last practicable date prior to the publication of this document), respectively, multiplied by 0.075 New Tenaz Shares to every SDX Share.
- (3) The market values of £82.50 (in column A) and £92.50 (in column B) are calculated based on the Closing Prices per SDX Share of:
 - (a) 8.25 pence per SDX Share on 24 May 2022 (being the last Business Day prior to the commencement of the Offer Period); and
 - (b) 9.25 pence per SDX Share on 29 June 2022 (being the last practicable date prior to the date of this announcement).

The Cash Alternative is a conditional offer for the Scheme, the proportion of Effective Available SDX Shares in the Cash Alternative being satisfied in full by Tenaz. If no elections are made for the Cash Alternative, Tenaz would issue approximately 15,614,224 New Tenaz Shares pursuant to the Combination. As a result of the Combination, Tenaz would, in those circumstances, have approximately 44,072,298 Tenaz Shares in issue and SDX Shareholders would together hold approximately 35 per cent. of the Tenaz Shares in issue upon the Scheme becoming Effective.

Recommendation by SDX directors

The SDX Directors (and in providing their advice to the SDX Directors, Rothschild & Co) express no view as to the Cash Alternative. Their views in this regard will be provided in the Scheme Document.

Timing of Scheme Document

As announced on 22 June 2022, the formal Scheme Document containing further information about the Combination and notices of the SDX Meetings, together with the Forms of Proxy and a Form of Election for the Cash Alternative, will be sent to SDX Shareholders no later than 5.00 p.m. (London time) on Tuesday 5 July 2022 (or on such later date as may be agreed between Tenaz and SDX with the consent of the Panel). It is still expected that the Tenaz Circular, which will contain notice of the Tenaz Special Meeting, will be filed and mailed to Tenaz Shareholders on or around the same date as the Scheme Document is posted to SDX Shareholders.

Tenaz and SDX have, with the consent of the Panel, agreed to amend the Longstop Date described in the Rule 2.7 Announcement to be 31 December 2022 (and not 24 May 2023, as previously stated).

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.

ADVISORIES

Non-GAAP and Other Financial Measures

This press release contains references to measures used in evaluating oil and natural gas industry

acquisitions and references to measures used in the oil and natural gas industry such as "per share accretion metrics", "production per share", "operating income", "operating income per share", "adjusted working capital (net debt)", and "non-cash net working capital". 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") and sometimes referred to in this press release as Generally Accepted Accounting Principles ("GAAP") as issued by the International Accounting Standards Board. 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.

Per share accretion metrics

Management uses (i) "production per share" and (ii) "operating income per share" as acquisition metrics to determine the increase of consolidated pro forma production and "operating income" attributable to Tenaz shareholders following the proposed Transaction at various share exchange and/or Cash Alternative elections.

Per share accretion metrics are calculated based on consolidated pro forma Tenaz shares giving effect to the Transaction at the indicated aggregate election level.

(i) Production, Production per share and Production per share accretion

Consolidated pro forma production guidance for 2022 in barrels of oil equivalent is based on previously stated production guidance for 2022 of Tenaz and SDX, excluding the minority interest associated with the 33% sale of SDX's interest in the South Disouq asset announced subsequent to year end 2021.

Production per share is calculated as the production guidance for 2022 attributable to Tenaz shareholders.

Production per share accretion is calculated as the percentage change of Tenaz production per share to consolidated pro forma production per share after giving effect to the Transaction at the aggregate election level.

(ii) Operating income, Operating income per share and Operating income per share accretion

The term "operating income" is used as a measure of profit generated from oil and natural gas activities. Operating income (or "operating netback") is calculated as petroleum and natural gas revenues (consisting of petroleum and natural gas sales less royalties) and subtracting all costs associated with production and delivery to markets from petroleum and natural gas revenues (consisting of operating and transportation expenses).

Pro forma operating income for the three months ended December 31, 2021 of C\$16.1 million has been calculated as the operating netback of Tenaz of C\$3.4 million plus that of SDX of US\$11.5 million (C\$14.5 million), less 33% of the US\$4.4 million (C\$5.5 million) attributable to South Disouq at an exchange rate of US\$0.77/C\$1.

Operating income per share accretion is calculated as the percentage change of Tenaz operating income per share to consolidated pro forma operating income per share after giving effect to the Transaction at the aggregate election level.

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.

Non-cash net working capital

Management views non-cash net working capital as a measure to assess the Company's financial position and potential liquidity beyond available cash. Non-Cash working capital (net debt) is calculated as current assets excluding cash less current liabilities.

SDX's non-cash net working capital of C\$16.5 million as at March 31, 2022 has been translated at US\$0.80/C\$1.

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 Cash Alternative, the anticipated shareholder meeting dates for both Tenaz and SDX; the anticipated closing date of the Transaction; the possible pro forma percent ownership and per share accretion metrics at various Cash Alternative election levels; and the anticipated cash balances following the completion of the Transaction.

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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