

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations for Tenaz Energy Corp. (formerly Altura Energy Inc.) (the "**Company**" or "**Tenaz**") is dated November 17, 2021 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2021, the audited consolidated financial statements and related notes for the year ended December 31, 2020, as well as the Company's Annual Information Form ("**AIF**") that is filed on SEDAR at [www.sedar.com](http://www.sedar.com). These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), specifically International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

This MD&A contains non-generally accepted accounting principles ("**non-GAAP**") measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with Tenaz's disclosure under the headings "Non-GAAP Measures" and "Forward-looking Information" included in the "Advisories" section at the end of this MD&A.

### CORPORATE UPDATE

#### *Recapitalization Transaction*

On August 30, 2021, the Company entered into the Investment Agreement with a group of investors led by Anthony Marino, Michael Kaluza, Bradley Bennett, Jonathan Balkwill, Marty Proctor, and Mark Rollins which provided for, among other things: (i) a non-brokered private placement of units ("**Units**") of the Company ("**Non-Brokered Private Placement**") and a brokered private placement of subscription receipts ("**Subscription Receipts**") of the Company ("**Brokered Private Placement**" and together with the Non-Brokered Private Placement, the "**Private Placements**") for aggregate gross proceeds of \$29.5 million; (ii) a reconstitution of the Board and appointment of a new management team (the "**Change of Management**"); and (iii) a change of the Company's name from "Altura Energy Inc." to "Tenaz Energy Corp." (collectively, the "**Reorganization**").

On September 22, 2021, the Company completed the Brokered Private Placement pursuant to which 136,112,000 Subscription Receipts were issued at a price of \$0.18 per Subscription Receipt for gross proceeds of \$24.5 million. The gross proceeds from the Brokered Private Placement were held in escrow pending completion of the Change of Management and the Non-Brokered Private Placement.

On October 8, 2021, the Company completed the Change of Management and the Non-Brokered Private Placement pursuant to which 27,778,000 Units were issued at a price of \$0.18 per Unit for gross proceeds of \$5.0 million. Each Unit was comprised of one common share ("**Common Share**") and one warrant ("**Warrant**") of the Company, with each Warrant entitling the holder thereof to purchase one Common Share at a price of \$0.18 per Common Share from a period of five years from the issuance date, subject to certain terms and conditions. One-third of the Warrants will vest and become exercisable upon the 20-day VWAP of the Common Shares (the "**Market Price**") equaling or exceeding \$0.25 per Common Share, an additional one-third upon the Market Price equaling or exceeding \$0.315 per Common Share and a final one-third upon the Market Price equaling or exceeding \$0.36 per Common Share.

Immediately following the completion of the Change of Management and the Non-Brokered Private Placement, the Company issued 136,112,000 Common Shares pursuant to the conversion of the 136,112,000 Subscription Receipts previously issued by the Company in connection with the Brokered Private Placement, and \$24.5 million in gross proceeds was released from escrow.

### *Name and Symbol Change*

On October 15, 2021, the Company changed its name from “Altura Energy Inc.” to “Tenaz Energy Corp.” and the symbol for trading on the TSX Venture Exchange was changed to TNZ (formerly ATU).

### *Rights Offering*

The Reorganization provided that the Company shall conduct a rights (“**Rights**”) offering (the “**Rights Offering**”) pursuant to which each shareholder of Common Shares on November 15, 2021 (the “**Record Date**”) will receive one (1) Right for each Common Share held by such shareholder. Each eight (8) Rights will entitle the holder to subscribe for one Common Share upon payment of a subscription price of \$0.18 per Common Share. The Common Shares commenced trading on the TSXV on an ex-rights basis at the opening of business on November 12, 2021. This means that Common Shares purchased on or following November 12, 2021 are not entitled to receive Rights under the Rights Offering. The Rights Offering will expire at 4:00 p.m. (Calgary time) on December 13, 2021, after which time unexercised Rights will be void and of no value.

Subscribers under the Private Placements agreed not to participate in the Rights Offering in respect of the securities subscribed for thereunder and having undertaken not to exercise, sell, trade or otherwise convey any interest in the Right Offering. Further details of the Rights Offering are set out in the Rights Offering notice and the Rights Offering circular, which are available under the Company's profile on SEDAR or at [www.tenazenergy.com](http://www.tenazenergy.com).

### *Share Consolidation*

The Board of Directors has authorized the share consolidation previously approved by shareholders on October 7, 2021. The share consolidation will be effected on the basis of one new Common Share for every ten existing Common Shares (the “**Share Consolidation**”) and will be completed following the closing of the Rights Offering in mid-December 2021.

### *Granting of Options*

Subsequent to the quarter, the Board of Directors has authorized the grant to directors, officers and employees of the Company an aggregate of 16,700,000 stock options to purchase Common Shares to be effective November 23, 2021 pursuant to the terms of the Company's stock option plan. The options will expire five years from the grant date, will have an exercise price equal to the TSX-V closing price per Common Share on November 22, 2021 and will vest as to one third on each of the first, second and third anniversaries of the grant date. The options will be subject to adjustment as a result of the proposed consolidation currently planned for mid-December 2021.

### *Strategy Update*

In addition to the continued development of the Company's existing assets, the new management team intends to target the acquisition of conventional and semi-conventional oil and gas assets in overseas markets. The Company will focus on building a portfolio of free cash flow assets that have the potential to provide returns to shareholders via a growth-and-income capital markets model.

With the completion of the Private Placements, the Company has established itself as a viable public vehicle for the acquisition of oil and gas producing assets. We intend to leverage our team's experience to pursue opportunities across multiple international jurisdictions where there is the potential for less competition, greater opportunity for operational improvements, and higher returns on capital as compared to the North American industry. Finally, the Company recognizes the critical importance of environmental, social and economic sustainability, and will place a correspondingly high priority on performance and leadership in these areas. The Company is committed to the long-term sustainability of the jurisdictions in which it invests and the local communities in which it operates.

## DESCRIPTION OF BUSINESS

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. Additional information regarding Tenaz is available on SEDAR and on its website at [www.tenazenergy.com](http://www.tenazenergy.com). Tenaz's common shares are listed for trading on the TSX Venture Exchange under the symbol "TNZ".

## 2021 GUIDANCE

Updated 2021 guidance is provided below. Previous 2021 guidance was updated in the Company's press release dated August 25, 2021, and the Company's Second Quarter 2021 MD&A. Copies of the press release and MD&A are available under Tenaz's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or on Tenaz's website at [www.tenazenergy.com](http://www.tenazenergy.com).

	November 17, 2021 Guidance	Previous Guidance	2021 YTD Actual
2021 average production volumes (boe/d)	1,000	1,100 to 1,150	999
Capital expenditures (\$000)	8,000	7,500	4,551
<b>Wells:</b>			
Drilled	3 (2.6 net)	2 (1.8 net)	1 (0.9 net)
Completed	2 (1.8 net)	3 (2.7 net)	2 (1.8 net)

Production guidance for 2021 has been reduced to 1,000 boe per day due to the timing of drilling. The Company originally planned to drill, complete and equip its second 2021 Leduc-Woodbend well in September 2021 with production onstream in October 2021. This well was delayed due to the Reorganization.

Capital expenditure guidance for 2021 increased to \$8.0 million from \$7.5 million as the new management team elected to drill two new wells in Q4 2021, as compared to drilling the single previously-mentioned well in Q3 2021. The two wells that are now to be drilled in Q4 2021 are planned to be completed and equipped in Q1 2022. As a result, updated 2021 capital guidance includes one additional well drilled, and one fewer well completed, compared to previous guidance.

## 2022 GUIDANCE

	November 17, 2021 Guidance
2022 average production volumes (boe/d)	1,200 to 1,300
Capital expenditures (\$000)	7,750
<b>Wells:</b>	
Drilled	2 (1.8 net)
Completed	4 (3.6 net)

## RESULTS OF OPERATIONS

### Operational and Financial Review

	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
<b>Production</b>					
Heavy crude oil (bbls/d)	496	528	512	507	464
Light crude & medium crude oil (bbls/d)	-	-	16	-	8
Natural gas (Mcf/d)	2,861	2,543	2,118	2,588	2,066
Natural gas liquids ("NGLs") (bbls/d)	72	57	38	61	52
Total (boe/d)	1,045	1,009	919	999	868
<b>Financial Metrics</b>					
(\$000, except per share amounts and per boe)					
Net income (loss)	10,619	(398)	(360)	9,313	(33,136)
Per basic and diluted share	0.10	-	-	0.09	(0.30)
Cash flow from operating activities	1,982	763	505	3,572	2,200
Funds flow from operations <sup>(1)</sup>	1,349	1,125	378	3,283	1,684
Per basic and diluted share	0.01	0.01	-	0.03	0.02
Funds flow from operations per boe <sup>(1)</sup>	14.05	12.25	4.47	12.04	7.07
Net debt <sup>(1)</sup>	3,462	2,281	4,623	3,462	4,623
<b>Activity</b>					
Capital expenditures (\$000)	2,614	427	469	4,551	7,769
Dispositions (\$000)	-	(1,312)	(875)	(1,750)	(1,746)
Wells drilled - Gross/(Net)	1 (0.9)	-	-	1 (0.9)	2 (1.9)
Wells completed - Gross/(Net)	1 (0.9)	-	-	2 (1.8)	2 (1.9)

(1) Funds flow from operations and net debt are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this press release.

### Production

Tenaz's production in Q3 2021 increased 4% to 1,045 boe/d from the prior quarter and 14% from Q3 2020 with one (0.9 net) new well brought on production in August 2021. Production in Q3 2021 was affected by a turnaround at a third-party gas plant that resulted in approximately 65% of Tenaz production being shut in for four days and downtime on existing wells for a downhole maintenance campaign. Comparisons of the current quarter to prior periods are also impacted by the Company divesting 4.13% of production in four working interest dispositions on September 30, 2020, January 29, 2021, April 27, 2021, and June 15, 2021. See Tenaz's Q2 2021 MD&A filed on SEDAR for further information on the dispositions.

Year to date, Tenaz's production increased 15% from the same period of 2020. The increased production relates to two (1.8 net) new wells brought on production in 2021 and lower production in the same period of 2020 due to curtailed production volumes in the second quarter of 2020 because of low oil prices.

### Net Income (loss)

In Q3 2021, net income increased to \$10.6 million compared to a net loss of \$0.36 million in Q3 2020. The increased net income primarily reflects a reversal of impairment of \$10.5 million, and increased sales revenue from higher commodity prices and production volumes, partially offset by higher royalties, an increased loss on financial instruments, higher operating and DD&A expenses, and no gain on asset dispositions.

The Company's YTD 2021 net income increased to \$9.3 million compared to a net loss of \$33.1 million in the same period of 2020. The increased net income primarily reflects a reversal of impairment of \$10.2 million and increased sales revenue from higher commodity prices and production volumes, partially offset by an increased loss on financial instruments, higher royalties, operating, DD&A, and G&A expenses, and a decreased gain on asset dispositions.

### Funds flow from operations

In Q3 2021, funds flow from operations increased by \$1.0 million to \$1.35 million compared to \$0.38 million in Q3 2020. The increase primarily reflects increased sales revenue from higher commodity prices and production volumes and lower G&A expenses, partially offset by an increased realized loss on financial instruments, and higher royalties and operating expenses.

Tenaz's YTD 2021 funds flow from operations increased to \$3.28 million compared to \$1.68 million in the same period of 2020. The increase primarily reflects increased sales revenue from higher commodity prices and production volumes, partially offset by an increased realized loss on financial instruments, and higher royalties, operating and interest expenses.

### Benchmark Commodity Prices

	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
<b>Average Benchmark Prices</b>					
WTI crude oil (US\$/bbl) <sup>(1)</sup>	<b>70.56</b>	66.07	40.93	<b>64.82</b>	38.32
WCS differential (US\$/bbl) <sup>(2)</sup>	<b>(13.58)</b>	(11.49)	(9.09)	<b>(12.51)</b>	(13.69)
US\$/Cdn\$ exchange rate	<b>0.794</b>	0.814	0.751	<b>0.799</b>	0.739
WCS (Cdn\$/bbl)	<b>71.88</b>	66.97	42.41	<b>65.40</b>	32.98
AECO daily spot (\$/GJ)	<b>3.41</b>	2.93	2.12	<b>3.11</b>	1.98
<b>Average Realized Prices</b>					
Heavy crude oil (\$/bbl)	<b>72.81</b>	66.71	40.19	<b>65.56</b>	33.93
Natural gas (\$/Mcf)	<b>3.87</b>	3.39	2.45	<b>3.54</b>	2.26
Natural gas liquids (\$/bbl)	<b>56.23</b>	44.45	25.83	<b>48.32</b>	19.97
Average realized price (\$/boe)	<b>49.04</b>	45.97	29.87	<b>45.38</b>	25.04

(1) WTI represents posting price of West Texas Intermediate crude oil.

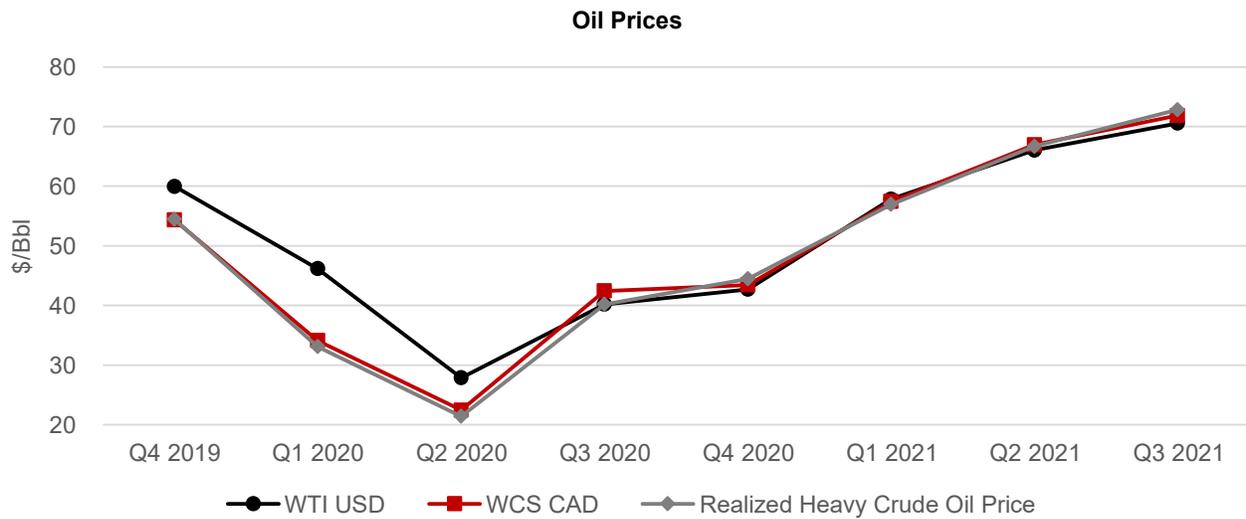
(2) WCS differential represents the difference between the average market price for the benchmark Western Canadian Select heavy crude oil and WTI.

Tenaz sells its crude oil on a monthly index basis and natural gas production on a spot basis. The average realized price the Company receives for its crude oil and natural gas production depends on several factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate and transportation and product quality differentials.

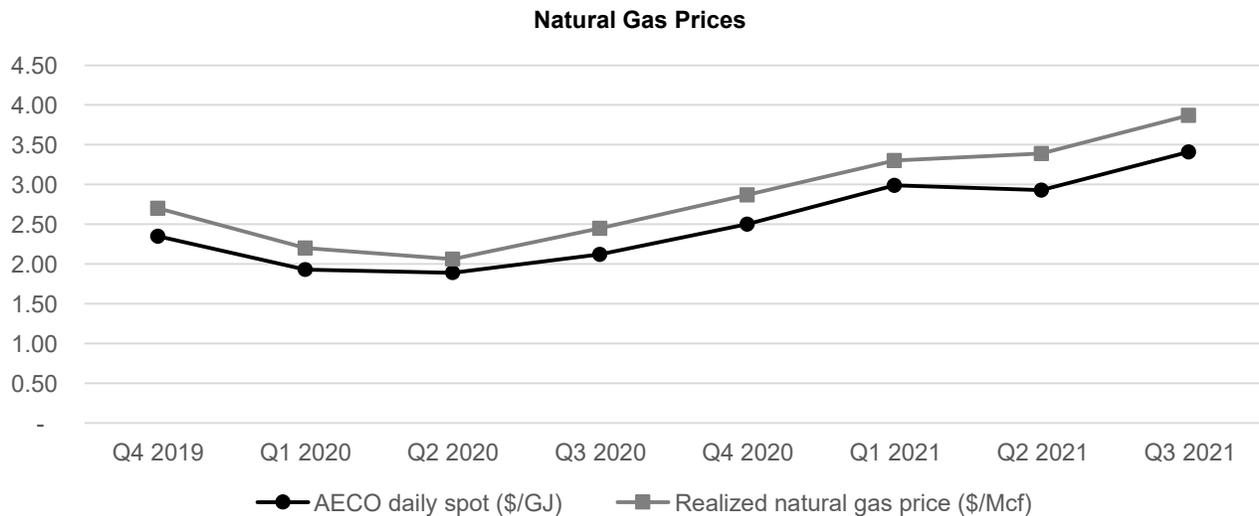
The average benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for these commodities. The principal crude oil benchmarks that Tenaz compares its oil price to are the WTI oil price and the WCS oil price. The differential between WTI and WCS oil prices can widen due to several factors, including, but not limited to, downtime in North American refineries, rising domestic and international production, the US to Canadian dollar exchange rate, high inventory levels in North America and lack of pipeline infrastructure or takeaway capacity connecting key consuming oil markets.

In Q3 2021, WTI increased 72% to US\$70.56 per barrel compared to \$40.93 per barrel in Q3 2020 and the differential between WTI and WCS widened to US\$13.58 per barrel in Q3 2021 from US\$9.09 per barrel in Q3 2020. The increase in WTI coupled with the wider WCS differential and stronger Canadian dollar resulted in WCS increasing 69% to \$71.88 per barrel in Q3 2021 from Q3 2020. Tenaz benefited from delivering oil to light oil terminals for blending in Q3 2021, realizing a heavy crude oil price of \$72.81 per barrel, a 1% premium over WCS compared to the realized heavy crude oil price in Q3 2020 having a 5% discount to WCS.

Year to date, WTI increased 69% to US\$64.82 per barrel compared to the same period of 2020 and the differential between WTI and WCS narrowed 9% to US\$12.51 per barrel, resulting in WCS increasing 98% to \$65.40 per barrel and Tenaz's realized heavy oil price increasing 93% to \$65.56 per barrel.



In Q3 2021, Tenaz's realized natural gas price increased by 58% to \$3.87 per Mcf from Q3 2020 while the AECO daily spot price increased 61% to \$3.41 per GJ from Q3 2020. Year to date, the Company's realized natural gas price increased by 57% to \$3.54 per Mcf from the same period of 2020 while the AECO daily spot price increased 57% to \$3.11 per GJ over the same period.



## Financial Review

(\$000)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
<b>Sales</b>					
Heavy crude oil	3,325	3,203	1,893	9,071	4,314
Light crude & medium crude oil	-	-	63	-	78
Natural gas	1,018	785	478	2,503	1,280
Natural gas liquids	374	232	92	803	284
Petroleum and natural gas sales	4,717	4,220	2,526	12,377	5,956
Royalties	(532)	(473)	(222)	(1,382)	(434)
Operating	(1,391)	(1,280)	(1,171)	(3,787)	(3,201)
Transportation	(168)	(225)	(212)	(559)	(592)
Realized gain (loss) on financial instruments	(798)	(612)	42	(1,813)	1,329
Net general and administrative expenses	(413)	(410)	(482)	(1,288)	(1,196)
Interest and financing expenses	(66)	(95)	(103)	(265)	(178)
Funds flow from operations	1,349	1,125	378	3,283	1,684
Changes in non-cash operating working capital	633	(362)	127	289	516
Cash flow from operating activities	1,982	763	505	3,572	2,200

(1) Funds flow from operations is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

### Petroleum and Natural Gas Sales

Petroleum and natural gas sales in Q3 2021 increased 87% to \$4.72 million compared to \$2.53 million in Q3 2020. The increase of \$2.19 million consists of \$2.06 million attributed to increased realized commodity prices and \$0.13 million attributed to increased production volumes.

Year to date, petroleum and natural gas sales increased 108% to \$12.38 million compared to \$5.96 million in the same period of 2020. The increase of \$6.42 million consists of \$5.75 million attributed to increased realized commodity prices and \$0.67 million attributed to increased production volumes.

### Royalties

In Q3 2021, royalty expense increased to 11.3% of sales compared 8.9% of sales in Q3 2020. Year to date, royalty expense increased to 11.2% of sales compared to 7.3% of sales in the same period of 2020. The increases in both periods in royalty expense is mainly due to higher sales revenue, combined with a higher average royalty rate due to increased commodity prices compared to the same periods in 2020.

### Operating

Operating expenses increased to \$1.39 million in Q3 2021 from \$1.17 million in Q3 2020. Year to date, operating expenses increased to \$3.79 million compared to \$3.20 million in the same period of 2020. These increases are mainly due to increased production volumes in the three and nine months ended September 30, 2021 compared to the same periods of 2020.

On a per boe basis, operating expenses increased to \$14.44 per boe in Q3 2021 compared to \$13.85 per boe in Q3 2020. Year to date, operating costs were \$13.88 per boe, up 3% from the same period of 2020. The increase in both periods is mainly due to higher electricity and chemical costs versus the same periods in 2020.

## Transportation

Transportation expenses for the three and nine months ended September 30, 2021 decreased in the comparable prior periods, due mainly to lower natural gas transportation rates.

On a per boe basis, transportation expenses decreased to \$1.75 per boe and \$2.05 per boe in the three and nine months ended September 30, 2021, respectively, compared to \$2.51 per boe and \$2.49 per boe in the same periods of 2020. The decrease in both periods is mainly due to lower natural gas transportation rates from a contract that was negotiated in the fourth quarter of 2020.

## Operating Netback Summary

(\$/boe)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Petroleum and natural gas sales	<b>49.04</b>	45.97	29.87	<b>45.38</b>	25.04
Royalties	<b>(5.53)</b>	(5.15)	(2.63)	<b>(5.07)</b>	(1.83)
Operating	<b>(14.44)</b>	(13.96)	(13.85)	<b>(13.88)</b>	(13.46)
Transportation	<b>(1.75)</b>	(2.45)	(2.51)	<b>(2.05)</b>	(2.49)
Operating netback <sup>(1)</sup>	<b>27.32</b>	24.41	10.88	<b>24.38</b>	7.26

(1) Operating netback is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

In Q3 2021, the operating netback increased 151% to \$27.32 per boe compared to \$10.88 per boe in Q3 2020. Year to date, the operating netback increased 236% to \$24.38 per boe from \$7.26 per boe in the same period of 2020. The increase in both periods is due to the increase in commodity prices and decreased transportation expenses, partially offset by higher royalties and operating expenses.

## Realized gain (loss) on financial instruments

The Company has a risk management program in place with the objectives of reducing the volatility of crude oil and natural gas sales, increasing the certainty of funds flow from operations, protecting development economics and complying with its banking covenant.

In Q3 2021, the realized loss on financial instruments was \$0.80 million as compared to a small realized gain on financial instruments in Q3 2020. The loss on the Company's risk management contracts was largely attributable to losses on crude contracts as a result of WCS prices averaging \$71.88 per barrel in Q3 2021, compared to Tenaz's average crude oil contract price of \$36.70 per barrel.

Year to date, the realized loss on financial instruments was \$1.81 million as compared to a realized gain on financial instruments of \$1.33 million in the same period of 2020. The loss on the Company's risk management contracts was largely attributable to losses on crude contracts which totaled \$1.64 million with WCS pricing having increased 98% in the nine months ended September 30, 2021 compared to the same periods of 2020.

## General and Administrative ("G&A") Expenses

(\$000)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Gross G&A	<b>563</b>	552	575	<b>1,700</b>	1,610
Capitalized G&A and overhead recoveries	<b>(150)</b>	(142)	(93)	<b>(412)</b>	(414)
Net G&A expenses	<b>413</b>	410	482	<b>1,288</b>	1,196

Net G&A expenses were consistent amongst the quarterly comparable periods with decreased salaries and professional services, offset by lower funds received from the Canada emergency subsidy programs and \$0.13 million of transaction costs incurred in the quarter relating to the Reorganization.

Year to date, net G&A expenses increased as a result of lower funds received from the Canada emergency subsidy programs and by \$0.13 million of transaction costs incurred pursuant to the Reorganization.

### ***Interest and Financing Expenses***

In Q3 2021, interest and financing expenses decreased in Q3 2021 versus Q3-2021 due mainly to timing of credit facility renewal fees. Year to date, interest and financing expenses increased to \$0.27 million compared to \$0.18 in the same period of 2020 due to higher credit facility renewal fees amortized over the period, higher interest rates and higher average bank indebtedness.

### **Net Income (Loss) and Funds Flow from Operations**

The following table reconciles funds flow from operations to net income (loss):

(\$000)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Funds flow from operations <sup>(1)</sup>	<b>1,349</b>	1,125	378	<b>3,283</b>	1,684
Unrealized gain (loss) on financial instruments	<b>35</b>	(595)	(373)	<b>(1,426)</b>	502
Share-based compensation expense	<b>(63)</b>	(150)	(67)	<b>(240)</b>	(241)
Depletion, Depreciation and Amortization	<b>(1,176)</b>	(1,113)	(901)	<b>(3,319)</b>	(2,980)
(Impairment)/reversal	<b>10,500</b>	(330)	-	<b>10,170</b>	(34,750)
Accretion of decommissioning liability	<b>(26)</b>	(25)	(16)	<b>(77)</b>	(47)
Gain on property dispositions	-	690	619	<b>922</b>	1,224
Deferred tax recovery	-	-	-	-	1,472
<b>Net income (loss)</b>	<b>10,619</b>	<b>(398)</b>	<b>(360)</b>	<b>9,313</b>	<b>(33,136)</b>

(1) Funds flow from operations is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

## Unrealized gain (loss) on financial instruments

At September 30, 2021, Tenaz held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at September 30, 2021 (\$000)
<b>WCS Swap Contracts</b>						
Oct 1/21—Dec 31/21	Crude Oil	Fixed Swap	200 bbls/d	WCS	CAD \$38.70	(748)
Jan 1/22—Jan 31/22	Crude Oil	Fixed Swap	200 bbls/d	WCS	CAD \$51.00	(164)
Feb 1/22—Feb 28/22	Crude Oil	Fixed Swap	200 bbls/d	WCS	CAD \$59.70	(97)
Mar 1/22—Mar 31/22	Crude Oil	Fixed Swap	200 bbls/d	WCS	CAD \$57.50	(116)
Apr 1/22—Apr 30/22	Crude Oil	Fixed Swap	175 bbls/d	WCS	CAD \$65.75	(54)
May 1/22—May 31/22	Crude Oil	Fixed Swap	175 bbls/d	WCS	CAD \$65.50	(54)
<b>WCS Differential Swap Contracts</b>						
Oct 1/21—Mar 31/22	Crude Oil	Fixed Swap	150 bbls/d	WCS-WTI Differential	CAD (\$17.95)	(74)
Apr 1/22—Apr 30/22	Crude Oil	Fixed Swap	175 bbls/d	WCS-WTI Differential	CAD (\$17.00)	(12)
May 1/22—May 31/22	Crude Oil	Fixed Swap	175 bbls/d	WCS-WTI Differential	CAD (\$16.70)	(11)
<b>WTI Put Options</b>						
Oct 1/21—Mar 31/22	Crude Oil	Put Option <sup>(1)</sup>	150 bbls/d	WTI	CAD \$62.00	(30)
Apr 1/22—Apr 30/22	Crude Oil	Put Option <sup>(2)</sup>	175 bbls/d	WTI	CAD \$62.00	(9)
May 1/22—May 31/22	Crude Oil	Put Option <sup>(3)</sup>	175 bbls/d	WTI	CAD \$62.00	(7)
<b>Natural Gas Swap Contracts</b>						
Oct 1/21—Dec 31/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.545	(187)
Jan 1/22—Jan 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.720	(75)
Feb 1/22—Feb 28/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$3.058	(57)
Mar 1/22—Mar 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.790	(54)
Apr 1/22—Apr 30/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.680	(26)
May 1/22—May 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.730	(20)
						<b>(1,795)</b>

(1) Includes a \$37,000 liability to the counterparty on this contract for the deferred premium of \$1.40 per barrel.

(2) Includes a \$14,000 liability to the counterparty on this contract for the deferred premium of \$2.65 per barrel.

(3) Includes a \$14,000 liability to the counterparty on this contract for the deferred premium of \$2.50 per barrel.

At September 30, 2021, the crude oil and natural gas contracts were fair valued with a liability of \$1.8 million (December 31, 2020 - \$0.37 million liability).

## Share-based compensation

(\$000)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Share-based compensation, gross	83	171	74	285	303
Capitalized share-based compensation	(20)	(21)	(7)	(45)	(62)
Share-based compensation expense	63	150	67	240	241

Tenaz's share-based compensation is related to the granting of stock options. The Company estimates the fair-value of the incentive award based on a Black Scholes model for the determination of non-cash related share-based compensation and the expense is recorded over the expected life.

## ***Depletion, Depreciation and Amortization (“DD&A”)***

For the three and nine months ended September 30, 2021, DD&A expenses were higher than the same periods of 2020 due to higher production volumes.

On a per unit basis, DD&A increased to \$12.23 per boe in Q3 2021, compared to \$10.65 per boe in the same period of 2020. The increased per unit depletion is due to the impairment reversal recorded in the fourth quarter of 2020, which increased the net book value subject to depletion in Q3 2021, relative to Q3 2020. Year to date, DD&A decreased to \$12.17 per boe compared to \$12.53 per boe in the same period of 2020 due mainly to an increase in reserve estimates from positive economic factors associated with increased commodity prices.

## ***Impairment***

Impairment is recognized when the carrying value of an asset or group of assets exceeds its estimated recoverable amount, defined as the higher of its value in use or fair value less cost to sell. Any asset impairment that is recorded is recoverable to its original value less any associated DD&A expense should there be indicators that the recoverable amount of the asset has increased in value since the time of recording the initial impairment.

### Developed and Producing (“D&P”) Assets

#### *September 30, 2021*

At September 30, 2021, there were indicators of impairment reversal identified in Tenaz’s Leduc-Woodbend CGU as a result of, amongst other factors considered by management, improved forecasted commodity prices for heavy crude oil since the last impairment test performed on December 31, 2020. Tenaz has only one CGU. An impairment test was performed on D&P assets and the Company recognized an impairment reversal of \$10.5 million related to its Leduc-Woodbend CGU due to the estimated recoverable amount of \$43.3 million exceeding the carrying value.

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved and probable oil and gas reserves and related cash flows from Tenaz’s December 31, 2020 reserve report prepared by its independent third-party reserve evaluators, updated using forecasted oil and gas commodity prices at October 1, 2021, revised forecasted future development cost assumptions, operating cost assumptions, 2021 asset dispositions and timing of forecasted future development costs and removed production from January 1, 2021 to September 30, 2021, as updated internally by the Company. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included recoverable value for certain undeveloped land included in property and equipment related to this CGU based on management’s estimates as at September 30, 2021 which were established principally on relevant land sales. The discount rates used in the valuation ranged from 10% to 30%, with an overall weighted average discount rate of approximately 21%.

#### *2020 Impairment*

At March 31, 2020, the Company determined there to be indicators of impairment in its Leduc-Woodbend CGU due to the potential long-term impact of the COVID-19 pandemic which caused a significant decline in forecasted oil benchmark prices and due to a decline in Tenaz’s market capitalization in the first quarter of 2020. In the nine months ended September 30, 2020, the Company recognized an impairment charge of \$30.0 million related to its Leduc-Woodbend CGU due to the carrying value exceeding the estimated recoverable amount. Included in the impairment charge was \$0.2 million related to impairment of the Company’s ROU assets.

### Exploration and Evaluation (“E&E”) Assets

#### *2021 Impairment*

An impairment test was conducted on Altura’s E&E assets, which are all in the Entice area. As a result of its impairment test, Altura recognized an impairment charge of \$0.3 million on E&E assets in the three months ended June 30, 2021, relating to land and well costs associated with the exploratory well drilled in the first quarter of 2020.

## 2020 Impairment

An impairment test was conducted on Altura's E&E assets, which are all in the Entice area. As a result of its impairment test, Altura recognized an impairment charge of \$4.8 million on E&E assets in the three months ended March 31, 2020.

## Deferred Taxes

The Company recognized a deferred tax recovery of nil in the three and nine months ended September 30, 2021, compared to deferred tax recovery of nil and \$1.47 million in the same periods of 2020. The deferred tax recovery in 2020 was due to the pre-tax loss recorded in the three months ended March 31, 2020 which reduced the Company's deferred tax liability to nil. Tenaz has not recognized a deferred tax asset at September 30, 2021 as Management did not find it probable that the benefit will be realized.

## Capital Expenditures

(\$000)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Geological and geophysical	-	3	-	4	3
Land	80	56	313	220	665
Drilling and completions	2,064	117	(12)	2,981	6,307
Workovers	147	177	99	650	105
Equipping and tie-in	264	3	-	437	336
Facilities and pipelines	-	(1)	-	75	34
Other	59	72	69	184	319
Capital expenditures	2,614	427	469	4,551	7,769
Property dispositions	-	(1,312)	(875)	(1,750)	(1,746)
<b>Total capital expenditures</b>	<b>2,614</b>	<b>(885)</b>	<b>(406)</b>	<b>2,801</b>	<b>6,023</b>

Capital expenditures were allocated as follows:

(\$000)	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020
Exploration and evaluation	-	18	-	80	3,990
Property and equipment, net	2,614	(903)	(406)	2,721	2,033
<b>Total capital expenditures</b>	<b>2,614</b>	<b>(885)</b>	<b>(406)</b>	<b>2,801</b>	<b>6,023</b>

In Q3 2021, Tenaz invested \$2.6 million in capital expenditures which included drilling, completing and equipping one (0.9 net) horizontal well at Leduc-Woodbend. The well was brought on production in August 2021.

Year to date, Tenaz invested \$4.6 million which included drilling one (0.9 net) well and completing and equipping two (1.8 net) wells at Leduc-Woodbend. Workover costs in the YTD 2021 relate to 11 rod upgrades at Leduc-Woodbend. In the nine months ended September 30, 2021, the Company divested of a 2.75% working interest in three transactions for cash proceeds of \$1.75 million.

## CAPITAL RESOURCES AND LIQUIDITY

Net debt as at September 30, 2021 and December 31, 2020 is summarized as follows:

(\$000)	September 30, 2021	December 31, 2020
Current assets	(26,524)	(1,307)
Current liabilities	31,781	5,608
Working capital deficit	5,257	4,301
Fair value of financial instruments	(1,795)	(369)
Net debt <sup>(1)</sup>	3,462	3,932
Net debt to annualized funds flow from operations <sup>(1)(2)</sup>	0.64	1.20

(1) Net debt and annualized funds flow from operations are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

(2) Refer to Note 10 "Capital Management" in the financial statements regarding net debt to annualized funds flow from operations.

The Company's policy is to maintain a strong capital base to enhance investor, creditor and market confidence and to sustain the future development of the business. Tenaz's net debt of \$3.5 million as at September 30, 2021 decreased from \$3.9 million at December 31, 2020 due mainly to the property dispositions in the first half of 2021. The decreased net debt and increased funds flow from operations resulted in net debt to annualized funds flow from operations decreasing to 0.64 times at September 30, 2021 compared to 1.20 times at December 31, 2020.

Subsequent to September 30, 2021, the Company closed the Reorganization and raised gross proceeds of \$29.5 million. See the "Corporate Update" section of the MD&A on page 4 for information on the Private Placements and the Company's corporate strategy.

### Credit Facilities

At September 30, 2021, the Company had a revolving operating demand loan (the "Operating Loan") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$4.0 million. Additionally, Tenaz had a \$3.0 million term loan from its Lender through the Business Credit Availability Program ("BCAP") Guarantee from the Export Development Bank of Canada ("EDC") (the "Term Loan"), providing \$7.0 million of total credit facilities.

Tenaz's bank debt at September 30, 2021 and December 31, 2020 is summarized as follows:

(\$000)	September 30, 2021	December 31, 2020
Operating Loan	133	985
Term Loan	3,000	3,000
Bank debt	3,133	3,985

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. As the borrowing base of the Operating Loan is based on the Lenders' interpretation of Tenaz's estimated proved and probable oil and natural gas reserves and forecasted commodity prices, there can be no assurance as to the amount of available limit that will be determined at each scheduled review. The Term Loan is a non-revolving term facility to be used exclusively to provide additional liquidity to finance Tenaz's business operations.

On October 18, 2021, the Company repaid and canceled the Term Loan. There was no change to the Operating Loan.

The interest rate on the Operating Loan and the Term Loan (collectively the "Credit Facilities") is the Lender's prime rate plus 3.5%.

Tenaz is subject to certain reporting and financial covenants including:

- the Company is required to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facilities and the fair value of any commodity contracts are excluded and the unused portion of the Operating Loan is added to current assets;
- the Company will, at all times, maintain hedging agreements covering no less than 350 bbls/d of oil (Western Canadian Select) and no less than 1,000 GJ/d of natural gas (AECO) for no less than the succeeding nine-month period, on a rolling basis; and

- the Company will maintain a Licensee Liability Rating (“LLR”) in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

As at September 30, 2021, the working capital ratio as defined was 1.13:1 (December 31, 2020 – 5.00:1) and the Company was compliant with the LLR covenant (5.99 at November 17, 2021). In August 2021, Tenaz's Lender waived the hedging covenant for the quarter ended September 30, 2021, relating to maintaining hedge agreements for the succeeding nine-month period.

As at September 30, 2021, \$3.1 million (December 31, 2020 - \$4.0 million) was drawn on the Credit Facilities and the Company had an outstanding letter of credit for \$150,000 (December 31, 2020 - \$50,000).

The next review date for the Operating Loan has been scheduled for May 31, 2022 but may be set at an earlier or later date at the sole discretion of the Lender.

### **Shareholders' Equity**

At September 30, 2021 there were 108,920,974 common shares outstanding, and 8,965,000 stock options outstanding.

At November 17, 2021 the number of common shares has increased to 273,800,974 due mainly to the Reorganization. Pursuant to the Reorganization, 3,970,000 options were canceled in addition to 990,000 that were exercised subsequent to September 30, 2021. At November 17, 2021, the number of stock options outstanding totaled 4,005,000.

### **Capital Resources**

The Company's planned Q4 2021 and 2022 capital expenditure budget of \$11.2 million includes drilling and completing four (3.5 net) Rex wells at Leduc-Woodbend. Tenaz has adequate liquidity to fund the budget through a combination of cash flow from operating activities, and cash on hand with the proceeds from the Private Placements that closed subsequent to September 30, 2021.

## **CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

Tenaz has contractual obligations in the normal course of operations including operating agreements, transportation commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Tenaz's cash flows in an ongoing manner.

## SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2021			2020			2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
(\$000, except per share)								
Petroleum and natural gas sales	4,717	4,220	3,440	2,659	2,526	647	2,783	5,531
Cash flow from operating activities	1,982	763	827	206	505	512	1,183	3,955
Funds flow from operations <sup>(1)</sup>	1,349	1,125	809	818	378	204	1,102	2,963
Per share – basic <sup>(1)</sup>	0.01	0.01	0.01	0.01	-	-	0.01	0.03
Per share – diluted <sup>(1)</sup>	0.01	0.01	0.01	0.01	-	-	0.01	0.03
Net income (loss)	10,619	(375)	(908)	10,823	(360)	(1,247)	(31,529)	(56)
Per share – basic	0.10	-	(0.01)	0.10	-	(0.01)	(0.29)	-
Per share – diluted <sup>(2)</sup>	0.10	-	(0.01)	0.10	-	(0.01)	(0.29)	-
Net debt <sup>(1)</sup>	3,462	2,281	4,207	3,932	4,623	5,398	6,246	626
Shareholders' equity	32,496	21,794	22,021	22,898	12,023	12,309	13,456	44,856

(1) Funds flow from operations and net debt are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

(2) Basic weighted average shares are used to calculate diluted per share amounts when the Company is in a loss position.

## OFF BALANCE SHEET ARRANGEMENTS

Tenaz does not have any off-balance sheet arrangements that would result in a material change to its financial position, performance or funds flow from operations during the reporting periods.

## RELATED PARTY TRANSACTIONS

The Company has not entered into any related party transactions.

## RISK FACTORS & RISK MANAGEMENT

Tenaz monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Tenaz maintains a level of liability, and property insurance, which is believed to be adequate for the Company's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

Natural disasters, wars, terrorist attacks, riots or civil unrest, public health crises, including epidemics, pandemics or outbreaks of new infectious disease or viruses including COVID-19, and related events, could materially and negatively impact the Company's business, its revenues and ultimately its profitability. Such events or occurrences may have a materially negative affect on one or more factors upon which the Company's business relies, including without limitation the demand for, and therefore the price of, the natural resource products produced by the Company, supply chains to operate its business, and the availability of capital required by the Company to fund its operations.

See "Forward-Looking Information" in this MD&A and "Risk Factors" in Tenaz's most recently filed annual information form for additional information.

## ADVISORIES

### Non-GAAP Measures

This MD&A and third quarter report 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”, “net debt”, and “operating netback”. The data presented in this MD&A and third quarter report 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 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

In reporting for prior periods, funds flow from operations was referred to as adjusted funds flow and excluded transaction costs. Tenaz has changed the reporting of the term adjusted funds flow to funds flow from operations and is including transaction costs in the non-GAAP financial measure to be more consistent with reporting by other issuers. 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 to repay debt. Funds flow from operations is calculated as cash flow from operating activities, before changes in non-cash operating working capital. Funds flow from operations is not intended to represent cash flows from (used in) 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.

Funds flow from operations per boe is calculated as funds flow from operations divided by total production sold in the period.

The Company's funds flow from operations is disclosed and reconciled in the “Financial Review” section of this MD&A on page 10.

#### Net Debt

In reporting for prior periods, net debt excluded the current portion of lease liabilities, and the current portion of the decommissioning liability. Tenaz has changed the reporting of net debt to include the current portion of lease liabilities, and the current portion of the decommissioning liability. Management views net debt as key industry benchmarks and measures to assess the Company's financial position and liquidity. Net debt is calculated as current assets, excluding the fair value of financial instruments less current liabilities, excluding the fair value of financial instruments. Tenaz's net debt is disclosed in the “Capital Resources and Liquidity” section of this MD&A on page 16.

#### Operating Netback

Tenaz calculates operating netback on a per boe basis, as petroleum and natural gas sales less royalties, operating costs and transportation costs. Management feels that 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 “Operating Netback” section of this MD&A on page 11.

### 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**

This MD&A and third quarter report 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 MD&A and third quarter report contains forward-looking information and statements pertaining to: the Rights Offering information and the Company's intension to effect the Share Consolidation after the completion of the Rights Offering; Tenaz's capital plans and budget for Q4 2021 and 2022; forecasted average production volumes for 2021 and 2022; and the corporate strategy proposed by the New Management Team.

The forward-looking information and statements contained in this MD&A and third quarter report reflect several material factors and expectations and assumptions of Tenaz including, without limitation: the continued performance of Tenaz's oil and gas properties in a manner consistent with its past experiences; that Tenaz 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 Tenaz'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.

Tenaz 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 MD&A and third quarter report 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 Tenaz'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 Tenaz or by third party operators of Tenaz's properties, increased debt levels or debt service requirements; inaccurate estimation of Tenaz's oil and gas reserve and 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 Tenaz's public documents.

The forward-looking information and statements contained in this MD&A and third quarter report speak only as of the date of this MD&A and third quarter report, and Tenaz 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.