

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

Tenaz Energy Corp. (“**Tenaz**” or the “**Company**”)
Suite 2500, 605 – 5th Avenue SW
Calgary, Alberta, Canada T2P 3H5

Item 2 Date of Material Change

December 20, 2022.

Item 3 News Release

A press release with respect to the material change referred to in this report was issued by Tenaz and disseminated on December 20, 2022 through the news wire facilities of the CNW Group.

Item 4 Summary of Material Change

On December 20, 2022, the Company announced the closing of the acquisition of 100% of the issued and outstanding shares of a private company with Netherlands upstream and midstream assets, in consideration for the assumption by Tenaz of future decommissioning liabilities in respect of such acquired assets (the “**Acquisition**”).

Item 5 Full Description of Material Change

5.1 - Full Description of Material Change

On December 20, 2022, the Company announced the closing of the Acquisition of all of the issued and outstanding shares of a private company with Netherlands upstream and midstream assets.

Upstream Assets

The Acquisition provides Tenaz with 5 mmcf/d of natural gas production from 9 offshore licenses in the Dutch North Sea (“**DNS**”). The producing fields are located on the K9ab, K9c, K12 and L10/L11a licenses operated by Neptune Energy (“**Neptune**”), with a production-weighted average working interest of 8.4%. The producing fields include a number of unbooked optimization, development and exploration opportunities, which have the potential to increase production rate profile and reserves over time.

In addition to the licenses that are currently producing, Tenaz has acquired a position in 5 non-producing licenses consisting of 9.85% interest in the N7a license and 5% interest in the F10, F11a, F17a Deep and F18a Deep licenses. The F17a Deep license contains the undeveloped Rembrandt and Vermeer oil discoveries operated by Wintershall Dea BG (“**Wintershall**”). Wintershall has stated its intention to bring these fields to production. If approved for development by the joint venture partners, the assets are anticipated to produce at a rate of up to 20,000 boe/d gross, or 1,000 boe/d net to Tenaz. Tenaz has not attributed any reserves to these discoveries at this time.

McDaniel and Associates (“**McDaniel**”) has completed an independent assessment of the reserves associated with the upstream assets and have assigned 809 mboe (99% natural gas) of

Proved Developed Producing (“**PDP**”) and 1,214 mboe (99% natural gas) of Total Proved + Probable (“**2P**”) reserves based on an effective date of November 1, 2022. McDaniel’s assessment projects that the upstream assets will have a remaining productive life of 10 years.

Midstream Assets

Tenaz has also acquired an 11.34% ownership interest in Noordgastransport B.V. (“**NGT**”), which holds one of the largest gas gathering and processing networks in the DNS. NGT has been in operation for over forty-five years, with nearly 500 km of pipelines in the DNS. Gas transported through the NGT pipeline network is treated at NGT’s onshore gas plant at Uithuizen before entering the Netherlands national grid. Over the past thirty years, NGT has had a very strong reliability record of 99.8% uptime. Tariff revenue generated through Tenaz’s NGT ownership is expected to provide a stable income stream to partially offset operating costs from the producing assets.

Carbon Reduction Projects

In June 2022, Neptune (as operator), XTO Netherlands B.V., the acquired private company and the Netherlands government (through state-owned energy producer EBN Capital B.V.) signed an agreement to progress the L10 Carbon Capture and Storage Project (“**CCS Project**”) to Front-end Engineering and Design (“**FEED**”) stage. The CCS Project envisions reuse of the L10 hydrocarbon producing infrastructure and reservoirs to capture 5 to 8 megatons of CO₂e per year for up to 30 years. The carbon dioxide for the CCS Project would be sourced from industrial emitters in and around the Port of Rotterdam, one of the largest industrial ports in Europe. The CCS Project is on track to commence FEED at the beginning of 2023, with final investment decision to be made around the end of 2023.

In addition to the potential for compelling economics provided by the European carbon market, the CCS Project could also defer decommissioning of a portion of the acquired assets significantly beyond the productive life of the hydrocarbon reservoirs. Tenaz’s ownership in the CCS Project has the potential to make Tenaz carbon neutral at corporate production levels in excess of 50,000 boe/d.

Furthermore, NGT is one of two pipeline networks in the DNS to be certified as fit for service in the transportation of green hydrogen. Several DNS operators are considering the long-term repurposing of mature upstream assets as alternative energy assets, and NGT is well positioned to serve these projects in the future.

Tenaz is committed to environmental sustainability and carbon reduction. The Acquisition creates the opportunity to offset carbon emissions through a significant portion of our Company’s targeted growth phase.

Financing and Accretion

Consideration for the Acquisition was in the form of the assumption of future decommissioning liabilities for the acquired assets. According to the decommissioning security agreements (“**DSA**”) for the assets, decommissioning security required for Tenaz’s interests amounts to \$58.9 million (€40.9 million) as at January 31, 2022. The security required pursuant to the DSAs is scheduled to decrease to \$16.9 million (€11.8 million) as at January 31, 2023, with the decrease due to several factors that go into DSA determination, which include completed decommissioning activities and increased natural gas prices in Europe. This security will be pledged from a combination of cash on hand and an expanded credit facility⁽¹⁾ totalling \$25 million led by ATB Financial. Tenaz expects to have fully repaid this credit facility within Q1 2023, upon the reduction of the DSA security level.

As Tenaz will not be issuing equity in connection with the Acquisition, it is highly accretive to existing shareholders. The acquired assets are expected to produce approximately 750 boe/d for 2023, representing an increase of 50% to the midpoint of Tenaz's 2023 production guidance. Based on Netherlands Title Transfer Facility ("TTF") futures gas pricing as of December 19, 2022 and accounting for recently proposed increases to Netherlands royalties, the acquired assets are forecasted to generate approximately \$23 million (€16 million) of funds flow from operations ("FFO")⁽²⁾ in 2023, equating to \$0.82 per share based on the current number of Tenaz shares outstanding.

Acquisition Rationale

The Acquisition has numerous advantages:

- High immediate cash flows with minimal up-front outlay of capital, generating a very high rate of return;
- Expected increase to positive adjusted working capital⁽²⁾ position and enhanced financial flexibility upon reduction of DSA security during Q1 2023;
- Highly accretive to shareholders on key per share measures⁽²⁾, including production, reserves, cash flow and free cash flow;
- Follow-on acquisition opportunities exist to consolidate ownership interest and to establish operating presence in the DNS, where the Tenaz team has significant previous experience;
- Establishes position in a desirable CCS Project capable of offsetting the carbon emissions from significant future growth in Tenaz production;
- Carbon capture and hydrocarbon development opportunities have the potential to significantly defer and/or reduce decommissioning costs, while providing significant investment returns; and
- Improved revenue diversification, establishing exposure to the high-margin TTF gas market, which currently has a structural supply deficit that may persist for a considerable length of time.

⁽¹⁾ The expanded credit facility is on similar terms to the previously disclosed ATB Financial backed credit facility. The expanded portion of the facility is made up of two additional tranches which together provide for an additional \$15 million of credit capacity and are repayable on or before April 30, 2023. The facility remains a secured obligation with fixed and floating charges over the assets of Tenaz and its subsidiaries.

⁽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 material change report.

Reserves Data

Tenaz's reasonable expectation of how the Acquisition, had it occurred on or before the effective date of the information set out in Tenaz's *Statement of Reserves Data* contained in its annual information form for the year ended December 31, 2021, would have affected such information is as follows: (i) the addition of approximately 809 mboe of PDP reserves; and (ii) the addition of approximately 1,214 mboe of 2P reserves. These adjustments will be included in Tenaz's Statement of Reserves Data to be contained in its annual information form for the year ended December 31, 2022 which is anticipated to be available on SEDAR on or around March 16, 2023.

5.2 - Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

For further information, please contact Anthony Marino, President and Chief Executive Officer of Tenaz, at 587-330-1983.

Item 9 Date of Report

December 30, 2022.

Advisories

All amounts in this material change report are stated in Canadian dollars unless otherwise specified.

The McDaniel independent assessment of the reserves associated with the upstream assets was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

All reserve references in this material change report are “Company gross reserves”. Company gross reserves are Tenaz’s total working interest reserves before the deduction of any royalties payable by Tenaz and before the consideration of Tenaz’s royalty interests. The recovery and reserve estimates of Tenaz’s crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

Non-GAAP and Other Financial Measures

This material change report 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 “funds flow from operations”, “funds flow from operations per share”, “key per share measures”, “adjusted working capital” and “capital expenditures”. The data presented in this material change 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 International Financial Reporting Standards (“IFRS”) and sometimes referred to in this material change report as Generally Accepted Accounting Principles (“GAAP”) as issued by the International Accounting Standards Board. These reported non-GAAP measures and other financial 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.

Acquisitions (Dispositions)

Tenaz considers acquisitions (dispositions) to be a useful measure of the economic investment associated with the Company’s acquisition and disposition activity. Acquisitions (dispositions) are calculated as the sum of acquisitions and dispositions from the consolidated statements of cash flows, Tenaz common shares issued as consideration, the estimated value of contingent consideration, the amount of an acquiree’s outstanding long-term debt assumed plus or net of acquired working capital deficit or surplus.

Funds flow from operations

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 settle liabilities. 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 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.

Free cash flow

Tenaz considers free cash flow 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 settle liabilities. Free cash flow is calculated as funds flow from operating activities less capital expenditures. Free cash flow per share is calculated using basic and diluted weighted average number of shares outstanding 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 exploration and evaluation asset expenditures and property and equipment expenditures from the consolidated statements of cash flows that is most directly comparable to cash flows used in investing activities.

Adjusted working capital

Management views adjusted working capital as a key industry benchmark and measure to assess the Company's financial position and liquidity. Adjusted working capital is calculated as current assets less current liabilities, excluding the fair value of financial instruments.

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 material change 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 material change report contains forward-looking information and statements pertaining to the anticipated repayment of credit arrangements, unbooked optimization, development and exploration opportunities, potential reserves and production from non-producing blocks, timing and performance of Vermeer and Rembrandt discoveries if developed, reserves associated with the upstream assets, Tariff revenue generated through Tenaz's NGT ownership, the CCS Project, including anticipated benefits thereof and the Acquisition advantages.

The forward-looking information and statements reflect several material factors and expectations and assumptions of Tenaz including, without limitation: 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 material change 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: the ability of management to execute its business plan or realise anticipated benefits from the Acquisition; changes in commodity prices; changes in the demand for or supply of the Company's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of the Company or by third party operators of the Company's properties, increased debt levels or debt service requirements; inaccurate estimation of the Company's oil and gas reserve volumes; limited, unfavorable or a lack of access to capital markets;

increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in the Company's public documents.

The forward-looking information and statements contained in this material change report speak only as of the date of this material change report, 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.